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NEWS SUMMARY

GENERAL

Support may fail to save Prentice

Mr. Denis Healey became the fourteenth member of the Cabinet to come out in support of Mr. Reg Prentice in his fight to remain as MP for Newham North-East, but friends of the outspoken Minister of Overseas Development are not hopeful that he will be able to fight off the Left-wing attempt on Wednesday to depose him.

A poll conducted for London Week-end Television showed that out of 57 members of the local management committee, 24 were definitely against Mr. Prentice, 15 were for him, two were unlikely to be present at the vote because of illness and the remaining 16 were undecided.

Mr. Prentice's support at Westminster, however, has continued to increase over the week-end, writes Richard Evans. And Mr. Healey, speaking at a Tolpuddle martyrs' memorial rally, stressed the importance to the Labour movement of making room for men of principle. "Neither our Parliament nor our party can afford to lose him," he maintained.

Fanfani: I won't resign

Sig. Fanfani, Italian Christian Democrat Party secretary, is still stubbornly refusing to resign without a formal vote of no confidence though, following the departures of two key factions from the central committee, he now commands the support of less than 30 per cent. of the party, writes Anthony Robinson in Rome.

Reservoir inquiry demanded by MP

Rochdale MP Mr. Cyril Smith, the Liberal Chief Whip, called for a Government inquiry into the "scandal" of how a reservoir serving homes in Whitworth, Rochdale and Bacup was polluted by carbolic acid. He criticised the North West Water Authority for not acting quickly enough and issuing warnings only after several people had drunk polluted water.

New bail plea

Mr. John Stonehouse, MP, will apply for bail to a judge in chambers this morning, following the refusal on Saturday of the Bow Street magistrate to grant bail, said Mr. Jim Patterson, his Melbourne solicitor. He was reported to be still refusing food at Brixton Jail. Justinian, Page 2

ANC deadline

Rhodesia's African National Council will give Prime Minister Ian Smith until October to attend a constitutional conference outside the country or it will revert to guerilla warfare, said Bishop Muzowera, ANC chairman. Page 7

Merckx beaten

Frenchman Bernard Thevenet won the Tour de France cycling marathon by two minutes 47 seconds from Belgian world champion Eddy Merckx, who had never before been beaten in the race, which he has won five times. Page 2

Watch this space

The Soviet cosmonauts aboard Soyuz-19 began preparations for their return to-day from man's first international manned mission into space. ITN will be covering the touch-down live as it is the first time the Russians have provided TV coverage of the end of a space mission.

Party chief killed

Austrian Opposition leader, Dr. Karl Schlienzer, was killed in a traffic accident on Saturday, ten weeks before he was to be the People's Party candidate for the chancellorship in the General Election.

London's oldest daily newspaper, Lloyd's List, produces its 50,000th edition to-day. Men and Matters, Page 10

BUSINESS

Peart seeks 5% cut in 'green' £

● U.K. AGRICULTURE Minister Mr. Fred Peart will seek approval for a 5 per cent. devaluation of the "green pound"—the value of sterling used for EEC agricultural dealings—say sources in Brussels.

Blessing will be asked of the EEC Council of Agricultural Ministers at their meeting opening to-day.

The move will raise official prices to British farmers and cut EEC subsidies on U.K. food imports. The impact on the housewife's shopping basket may be cushioned by increased consumer food subsidies.
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● THE TREASURY has agreed to publish its economic forecasts twice yearly in greater detail, and allow them to be scrutinised more closely by outside analysts.
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● UNEMPLOYMENT figures, due on Thursday, could be pushed near the 1m. mark by the seasonal impact of school and college leavers.
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● REVISION of the Government's new inflation insurance scheme for exports is called for by the National Economic Development Office in a bid to boost overseas sales of process plant equipment.
Page 5

BL members to go to court

● DISSIDENT British Leyland shareholders intend to challenge the way in which control of the company is being handed to the Government by employing counsel to fight their case in the High Court.

● CHRYSLER'S new Alpine car, styled in Coventry, is to be built in France and will go on sale at the October Paris Motor Show.
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● FIAT'S group turnover rose from L1,428bn. to L1,705bn. (£1.2bn.) in the first six months of 1975, but the higher figure masks a substantial drop in volume sales in all divisions.
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● BOEING is seeking more international partners to collaborate on its proposed new family of jet transport aircraft. It recognises that sales prospects could benefit if European aircraft companies are involved in development and production.
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● BRITISH STEEL Corporation is introducing cost-saving measures, including shorter working hours, at its Shelton, Stoke-on-Trent, plant, thought to have been losing around £500,000 a month.
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Petticoat power is still to come

● BRITISH BOARDROOMS are, as yet, almost untouched by Women's Lib. Of the 40,000 entries in the latest Directory of Directors, only about 400 are women.

● THREE BRITISH companies—GEC, John Laing and Sir Alfred McAlpine—are negotiating a major stake in the £600-700m. electrification of Iran's railways.
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● THE CROWN AGENTS and Pernas Securities, the Malaysian State concern, are considering setting up a joint company.
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● NATIONAL SAVINGS movement provisional figures for June show net new savings of £34.8m. With undistributed interest of £25.3m., the total of £60.1m. is the highest since March. Sales of the new index-linked retirement certificate, estimated at £65m., were the main reason for the better figures.
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● OIL TANKER charter market returns to the doldrums after a week of "euphoria."
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FEATURES

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Healey claims wide backing for drive against inflation

BY RICHARD EVANS, LOBBY CORRESPONDENT

A confident Mr. Denis Healey, Chancellor of the Exchequer, claimed yesterday that the Government's counter-inflation package had already produced "a massive groundswell of support throughout the land" for the proposal to cut the rate of inflation to 10 per cent. by next autumn.

The Chancellor, speaking on the eve of this week's important two-day economic debate in the Commons, claimed that one trade union after another was now responding to the call for realism.

"A tidal wave of commonsense is sweeping over the country which is sick to death of inflation and its consequences," he said at a Tolpuddle Martyrs' Memorial Rally.

The purpose of Mr. Healey's remarks, which followed impassioned appeals to the miners over the week-end by Mr. Wilson, Mr. Callaghan and Mrs. Shirley Williams, was two-fold.

He was attempting to rally trade union opinion behind the Government's economic policies and he was seeking to gain the widest possible support among Labour MPs for to-morrow night's vote on the White Paper counter-inflation proposals.

Mr. Healey also took the opportunity to goad the Conservative leadership, which has decided to abstain on the Government's proposals and instead to support their own reasoned amendment.

Real and fundamental disagreements continued to separate the parties on many aspects of the nation's problems, Mr. Healey declared. That was natural and essential in any democracy. "But I believe the British people will insist that the argument should now be between men who face the facts without flinching and take their stand on principles, not prejudice or petty party advantage."

The indications are that the Conservative leadership will succeed in maintaining a fairly united front, despite pressures from some backbenchers to vote for the White Paper and from others to vote against. Much will depend on the attitude of Mr. Edward Heath, former Tory leader, and his supporters believe that he will follow the party line and abstain.

Pressures are likely to grow among Tories for the Government's economic package to be opposed at a later stage if the erserve powers already drafted by th eGovernment are not published. Mrs. Thatcher wrote to the Prime Miinster last Thursday, demanding publication and a reply will be delivered to her this morning.

If Ministers continue to reject publication on the grounds that it would unnecessarily exacerbate relations with the trade union movement and with the Labour Party's activists, the Conservatives could put down a censure motion on the Government for next week.

The Chancellor went out of his way to praise the National Union of Mineworkers Executive's decision to back the Government's policy. "Both on the Left and Right of politics there is a growing determination to drop doctrinaire nit-picking and concentrate on the big issues facing the nation."

The remarks followed the concerted week-end attempt by three senior Ministers at the Durham miners' gala of the NUM to give a lead in supporting the £6 a week pay limit.

Mr. Wilson told the miners that the battle against inflation was a battle for employment. "I've never been allowed to forget the phrase: 'One man's wage increase is another man's price increase.' In these grim days, it is more than that. One man's wage increase could mean another man's ticket to the dole queue, or in terms of the coal industry, Yorkshire's wage increase could be Scotland's pit closure."

Significantly, the call for unity within the Labour movement was echoed yesterday by Mr. Anthony Wedgwood Benn, Energy Secretary, who appealed to the Left wing not to work for the Government's destruction. "We must sustain and maintain the Labour Govenrment. . . . There is too much at stake to risk losing ti," he told the annual conference of the Institute for Workers' Control in Sheffield.

Mr. Benn came under heavy fire, mainly from Trotskyists, for not resigning from the Government after the introduction of the new pay policy, but he argued it was more sensible for him to try to influence Government policies from within.

The continued presence of

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Been speech, Page 4

Pressure builds to remove Portugal's Prime Minister

BY JANE BERGEROL — LISBON, July 20.

AFTER a night of scattered violence as Communist and Socialist supporters squared off around Lisbon and across Northern Portugal, the political power struggle switched back inside the Supreme Revolutionary Council.

There were renewed and fiercer attempts to sack the Communist sympathising Prime Minister General Vasco Goncalves and get Portugal's two largest parties back inside a fifth provisional government.

A statement from President Costa Gomes in the Council's name gives the clearest indication so far that the Prime Minister will have to go if the current crisis is to be resolved and that both Socialists and Popular Democrats are to be requested to return to the Cabinet.

The President calls for political parties to "place the national interest above party obstacles and allow their militants to join the fifth government." Only thus, the President states, can there be "respect for the will of the Portuguese people." At the same time the new Government is not officially to be a coalition of the different parties, thus attempting to break down inter-party squabbling.

At the Socialists' biggest-ever rally in Lisbon last night, Dr. Mario Soares delivered a round attack on the Armed Forces Movement and its erection of roadblocks, with the help of Communist vigilantes, who harassed and provoked Socialists entering the city and slowed traffic to a crawl all day. He also had harsh words for General Vasco Goncalves: a new Prime Minister without such close party links must be appointed, the Socialist leader said, as thousands chanted "Fora Vasco" (Out, Vasco).

Since neither Socialists nor Popular Democrats will agree to serve under General Goncalves, his inability to put together a fifth provisional government may serve as the excuse to sack him in favour of an officer not associated with the Communist Party.

Prime contenders are Captain Vitor Crespo, the former high commissioner to Mozambique and a man capable of firm rule, or Major Melo Antunes, the AFM's mandarin and current foreign minister.

Although the military are therefore backing down from a head-on confrontation at this stage with Social Democratic forces, it would be wrong to interpret this as a total victory for Dr. Mario Soares and the Socialist Party, and the combined pressure they have exerted with the Popular Democrats over the past week.

Officers have become only too aware over these days of violent conflict that there is a risk of general insurrection in the country, which its present ill-disciplined forces could not contain.

A soldier was killed by a stray bullet in the northern city of Aveiro on Saturday night, as troops fired pell-mell into the air to disperse an angry crowd.

Both Socialists and Popular Democrats, by their firm opposition to the AFM are attracting support, not merely from convinced Social Democrats, but from all sectors of a frustrated and economically insecure Portugal—with consequent risks of trouble from excited and angry extremists, claiming to operate in the two parties' names.

More worrying for Portugal's socialist future, is the Right-wing

Continued on Back Page

Iranian blow to Pan Am hopes

BY ROBERT GRAHAM — TEHRAN, July 20.

IRAN'S rescue operation for Pan American World Airways, the financially troubled U.S. carrier, has collapsed. According to highly placed sources here, Iran is no longer interested in providing upwards of $300m. to aid the airline.

[In New York, Pan American denied last night that negotiations had broken down. They were continuing "as of yesterday," a spokesman said.]

The rescue operation has been in doubt for weeks and the Iranians have been making no secret of their slackening interest. The basic reason for the change of heart is a growing realisation that Pan Am's debt position is highly complex and its liabilities are greater than originally imagined when discussions first began in January. It is very hard to see what Iran hoped to get out of the deal except a stake in a prestige carrier and controlling interest in the profitable hotels subsidiary, Intercontinental.

The basis of the rescue operation was that Iran supply a 10-year $245m. loan, which in turn would give the country 13 per cent. of Pan Am voting stock. Iran would in addition buy for $55m. cash a 55 per cent. stake in Intercontinental hotels.

One of the technical problems which has proved difficult to solve has been the settlement of outstanding Pan Am debt for which the bulk of the loan would be utilised. These problems, coupled with a growing realisation that the airline was in more serious trouble than originally thought, has led to a change of heart.

Dismissed

Moreover, the deal does not fall within the criteria for foreign equity investment. The chief aim here is to invest in companies which provide access to raw materials, modern technology or the retailing of Iranian industrial goods. Iran Air and Pan Am have a long history of co-operation and Tehran can get all the technical assistance it needs without pumping in such large funds.

Pan Am, however, is refusing to consider the matter dead. The Iranians are still interested in the hotel side.

Jay Palmer writes from New York: Pan Am to-day dismissed as "inaccurate and premature" reports that the Iranian Government had decided to drop its seven-month-old proposal.

Admitting that the Iranian Government is known to be rethinking all its announced capital expenditures, Pan Am stressed that negotiations over this particular deal "were still continuing as of yesterday."

"Only a few minor difficulties remain to be overcome," a spokesman said, "and senior Pan Am executives recently back from Tehran remain firmly convinced that the deal can be successfully concluded in the near future."

Pan Am's insistence that the Iranian cash injection is still on reflects its need for outside aid and its fear that currently available bank credits might be withdrawn if the Tehran talks collapse.

Over the first five months of this year, Pan Am turned in a worse-than-expected loss of around $50m. Despite recent sharp reductions in labour costs and savings from its route-swap deal with Trans World Airlines, Pan Am is forecast to make a heavy 1975 calendar year loss.

Latest figures from Pan Am show that it has cut it abreak-even load factor — the all-important percentage of available seats sold—from the 1974 level of 58 per cent. to about 50 per cent. While an upturn in international passenger traffic could generate a profit recovery, the currently projected 1975 load factor of 45 per cent. will leave Pan Am still firmly in the red.

Bid to curb sugar imports

BY PETER BULLEN

LESS THAN a year after Britain's big sugar shortage, the Government is considering how to prevent excess supplies being imported from some Commonwealth countries.

It is seeking to close a loophole in its agreement with traditional Commonwealth suppliers through which they could send more than their agreed quotas of sugar this year.

However, the Ministry of Agriculture yesterday denied reports from the West Indies that Britain intends to renege on its agreement to import about 1.4m. tons of sugar from developing Commonwealth countries this year for a guaranteed price of £260 a ton.

The suggestion that U.K. refiners intended to suspend buying Caribbean sugar in view of the growing availability of cheaper supplies from other sources was made at a meeting of sugar producing countries at Bridgetown, Barbados.

But a Ministry of Agriculture spokesman said yesterday: "There is no question of the U.K. going back on the long-term agreement made with the African, Caribbean and Pacific sugar-producing countries."

The sugar agreement was the keystone to the EEC's Lomé Convention on trade and aid with 46 developing ACP countries in February. This guaranteed them indefinite access to the Community for up to 1.4m. tons of sugar a year and a price corresponding to the Community beet sugar intervention level.

In addition, the U.K. Government was allowed to guarantee a price of £260 a ton—about £100 a ton more than the EEC price—for sugar shipped to Britain from the ACP countries during 1975 to ensure its supplies this year. In return, the countries undertook to send at least 382,000 tons to the U.K. in the first six months of 1975.

Whitehall sources said yesterday that Caribbean fears about the U.K. suspending imports had arisen because these countries had virtually completed their quotas and were anxious to send more sugar to Britain for £260 a ton at a time when the world price was below £200 per ton.

However, no quantitative restriction had been made on shipments of sugar during 1975 in the agreement, so in theory the ACP suppliers could send more than the 1.4m. tons for which the Government had undertaken to pay £260 a ton.

It is these extra quantities that the Government is trying to avoid importing.

By the end of this year ample supplies of European beet sugar will be available at around £163 a ton.

Early end to IRA truce unlikely

BY DOMINICK J. COYLE — DUBLIN, July 20.

CAREFULLY ORGANISED speculation about an imminent end to the Provisional IRA's ceasefire in Northern Ireland gained momentum in numerous published reports over the week-end. But the immediate indications are that Provisional sources are themselves behind much of this speculation and that, in fact, no early formal resumption of large scale IRA hostilities is envisaged.

This is in spite of the murder last week of four British soldiers by a Provisional IRA unit operating in South Armagh.

However, both the British and Irish Governments are convinced, as indeed they have been for some months now, that the Provisionals will ultimately resume their terror campaign. The precise timing of such a resumption is likely to be determined in large measure by the deliberations of the Ulster Constitutional Convention.

Most senior civil servants in both Governments now admit privately that the prospects of the Constitutional Convention reaching an agreed solution on a new form of political administration for Ulster are remote in the extreme. In general, however they do not envisage a return to all-out Provisional IRA violence, either in Northern Ireland or on the British mainland, until such time as this expected Convention impasse becomes more apparent publicly.

This is unlikely to happen until later this year, probably no later than October or early November when, it is anticipated, there will be obvious deadlock within the Convention over the British Government's insistence that any new administration for the Province must contain a practical element of power-sharing as between Protestant Loyalists and Catholic republican factions.

Alienate

The leadership of the Provisional IRA remains as determined as ever to ensure that the Constitutional Convention does not succeed but, in spite of some differences of opinion within the IRA's hierarchy on immediate strategy, it is thought likely that a decision on a full-scale "return to the streets" will be held over until the outcome of the Convention is known, or at least until it is fairly apparent.

The terrorist campaign would inevitably be resumed in the unlikely event of the Convention reaching an agreement on power-sharing, since any such Ulster settlement would frustrate the Provisionals' own objective of eventually securing a four-province federated Ireland.

Equally, most of the IRA's present leaders feel that a resumption of all-out violence now, before the Ulster Convention was seen to fail, would only alienate totally Roman Catholic opinion in Northern Ireland.

The British Government's strategy, as implemented by Mr. Merlyn Rees, the Secretary of State, and interpreted on a day-to-day basis by the Northern Ireland Office in Belfast, is to seek deliberately to prolong the Provisional IRA ceasefire by implying that Provisional Sinn Fein can continue in meaningful dialogue with British officials on long-term political questions so long as violence in the Province is maintained at a low level.

Dividends

Some Provisional IRA leaders, who in any event believe that the time is ripe for pseudo-political—as against military—means to advance the movement's basic demand for a British declaration of intent to withdraw ultimately from Northern Ireland, consider that "political negotiations" are showing some dividends. Meanwhile, they are prepared to sanction—often retrospectively—"an acceptable level of IRA violence."

British officials have given Provisional Sin Finn sources the impression (based more on atmospherics than on clear-cut definitions and often conveyed through third parties whose precise status is left deliberately obscure) that Whitehall might in some circumstances consider a formula implying a British declaration to withdraw from Ulster.

The basis for such a formula could be the declaration by the then Heath Government at the time of the Sunningdale conference on Northern Ireland when the British and Irish Prime Ministers agreed, albeit in separate declarations and using markedly different language, that no British Government would stand in the way of an all-Ireland solution embracing Ulster, provided a majority in the Province wanted it.

British hints at slight modifications of this formula, but without any significant departure from it, have since suggested to some Provisional IRA leaders that there is some "give" in the British position, but the more militant elements in the republican movement interpret things differently.

As time elapses, and assuming the ultimate failure of the Ulster Constitutional Convention to reach agreement, these militants must, it seems, inevitably gain control of the Provisionals. An end to the present ceasefire would almost certainly be the first direct consequence.

LOMBARD

Doing away with the nation-State

BY C. GORDON TETHER

It would seem that the Tory Party is now just as convinced as Labour that it would be most inadvisable to try to hustle the British people into the more advanced forms of European integration. And the Danish Government is adopting a similarly cautious line on this front. So it is presumably safe to assume that the assurances that were coming from the pro-Market side during the referendum campaign about the importance that would continue to be attached to safeguarding British sovereignty in the event of the U.K. staying in Europe are not going to be immediately proved meaningless—as many anti-Marketeers feared they would be.

But these are, of course, early days. And as the heat will be on—from unification devotees at home as well as from many of the other EEC countries—for advances towards economic and monetary union and the creation of an EEC Parliament with real powers, the situation will have to be closely watched.

There could surely be no better way of setting this process in motion than by debating a proposition that is central to the European integration debate but which cannot be said to have been made the subject of any really close analysis in this country—or in the rest of the Community, for that matter—up till now. It is that the "nation-State" is obsolete in the modern world and that this is the justification—even the necessity—for Britain and the other Western European countries to convert themselves into provinces of a Continental empire.

Not new

The idea is not, needless to say, as original as some of its principal exponents appear to think. From time immemorial it has been advanced by empire-builders whenever they found themselves under pressure to put their behaviour in an altruistic setting.

It may, however, seem to make closer contact with the interests of the people at large in a modern context inasmuch as our approach to almost everything tends to start from the hypothesis that bigger is automatically better—indeed, that it is close to being a necessity in the sense that the only way of protecting oneself from the rampaging of other emergent giants is to become similarly weighty.

The point is obviously of importance. But it also has to be recognised that, due in no small measure to the mood of the times, the disadvantages which stem from the growth of size are coming more to the fore than they did in the past. Which means that they are apt to be found to be outweighing the benefits so much earlier.

A major part of the blame for the Leyland tragedy has been laid at the door of the size its empire ultimately assumed and the consequent difficulty of maintaining proper contact between the centre and the more distant parts. And, to judge by the American story in recent years, what is true of the business world is also true of the political one.

It is generally accepted that one of the main reasons why the U.S. is proving increasingly difficult to run efficiently, democratically and honestly is to be found in the sheer size of the task that the Government has to perform. It could well be that we should look in the same direction for the explanation of the fact that, although it has had half a century to prove its point, Russian Communism is still as determined as ever to maintain its rigid grip on all aspects of the country's life.

Democracy

Bearing in mind the growing enthusiasm for the devolution of political power evident in all parts of the world, it would not be going too far to say that the "bigger is better" theme is itself coming to be seen as outdated.

The implications this has for the future of democracy have a particular relevance to the proposition that European nation-States can now advantageously give place to a multinational Western European conglomeration. For here it is especially necessary to ask whether the resulting combined population would be sufficiently homogenous to ensure that the minorities would be prepared to subordinate their individual interests to the collective one.

And, as Mr. Enoch Powell pointed out in a recent article in the Daily Telegraph, "the idea that a mass of humanity is turned into a democracy by giving it an assembly directly elected by universal suffrage is a delusion which the West has expiated by now with a good deal of other people's blood."

The Prime Minister was thus injecting a breath of reality into the EEC integration deliberations when he argued at last week's Summit that, before we start toying with unification plans, we should find out what European union means. An existing system cannot sensibly be declared obsolete—whatever its imperfections—until something that is demonstrably better has been evolved to put in its place. This is certainly not the case so far as our own nation-State is concerned.

THE WEEK IN THE COURTS

Stonehouse remand raises a host of legal issues

BY JUSTINIAN

WHEN Mr. John Stonehouse, MP, turned up in Australia earlier this year, after having been reported drowned off a Miami beach, and was then subjected to extradition proceedings one could have predicted without too much foresight that his case would throw up a host of legal and constitutional issues.

Even now, with his return to England to face 21 charges of fraud, conspiracy and forgery, there has been enough to captivate the experts, the latest of which is the refusal by the stipendiary magistrate at Bow Street Magistrates' Court to grant bail on the first remand hearing.

So far, the fact of Mr. Stonehouse's membership of the House of Commons has not affected the ordinary legal processes. It has certainly had its political implications. The Select Committee looking into the question of his expulsion from the House has been inhibited from making positive recommendations while the law proceeds on its ponderous course. The natural inclination to hold one's hand while a Member defends himself against criminal charges is overwhelming.

It does not avoid the embarrassment, however, that, while still a member, the House of Commons cannot prevent that member participating in Parliamentary proceedings, which may include a personal statement designed to put the defence before called on to do so before judge and jury.

However, while Mr. Stonehouse remains in custody, his Parliamentary activity is effectively stifled. On this occasion Parliament is unlikely to make any issue out of the law's intervention in a Member's duties to his constituency and to Parliament.

Disenfranchised

Mr. Stonehouse's constituency may be the hardest hit by the disappearance and absence of its Member of Parliament. For nine months now, the electors of Walsall North have in effect been disenfranchised. Since the absence was initiated by Mr. Stonehouse himself, there is much to be said for replacing him without any judgment being concluded about his guilt or innocence of the criminal charges he faces. But the constituency cannot act without Parliament first vacating Mr. Stonehouse's seat. Plans to find a new Member of Parliament must necessarily await the outcome of the forthcoming criminal trial and ensuing Parliamentary action.

While the political and Parliamentary issues thus lie dormant, the legal problems recur. The protracted proceedings in Melbourne to have Mr. Stonehouse extradited to England have shown the ordinary public how technical is the legal process to have a suspected fugitive offender handed over to the prosecuting authorities of the country requesting the fugitive's return. The matter is happily less complicated among the Commonwealth countries which share a common legal background and a fellow legal feeling conducive to facilitating extradition.

Had Mr. Stonehouse been found in Miami or one of the South American States, however, the return might have been anything but smooth. Indeed, there are some countries from which there is no extradition at all. The whole problem of the international flight from criminal justice urgently needs study and reform.

The twin facts of the complicated process of extradition and the absence of any treaty of extradition with some countries of the world were a major factor in Mr. Stonehouse initially being refused bail. If he were to be granted bail and then absconded abroad, the problem of a second extradition proceeding or the failure to bring him to trial is stark. There is always the overriding public consideration that every person charged with a serious offence should stand his trial and not escape the clutches of the law. The law would quickly fall into disrepute if offenders with sufficient resources, both financial and otherwise, could defeat the course of justice at the outset.

A court cannot *know* in advance whether or not a person will appear if he is granted bail. All it can do is assess the likelihood of the bailed person complying with the conditions of his bail. The trouble is that courts do not even have any information about the general rate of absconding by those who have jumped their bail. No information is collected nationally on a regular basis about persons remanded on bail.

In the absence of any such information it is difficult, if not impossible to assess either the success of the courts in selecting the persons to whom bail can safely be granted and the persons to whom it should be refused, or the effectiveness of bail policies generally.

Surveillance

Until the authorities provide such information on a regular basis, in accordance with the recommendations of the recent Home Office Working Party's report on *Bail Procedures in Magistrates' Courts*, courts will be apt to take the cautious line and remand to custody those who indicate a propensity to skip the country if granted conditional freedom. This cautious approach inevitably means that some persons will stay in custody unnecessarily in order to ensure that the less reliable ones do not take flight.

The main problem here is that there is not much choice other than custody. Courts in recent years have frequently resorted to the device of making it a condition of bail that persons should report regularly to the police. In some cases reporting is ordered twice daily. This serves as some protection against the bailed person leaving the country, particularly when coupled with a requirement to live at a known address over which some loose police surveillance can be kept.

But even these stringent conditions are not water-tight. A determined fugitive can escape the net without too much difficulty, even if he has surrendered his passport. In this densely populated island those with money and influential friends can find ways of travelling abroad, out of sight of watchful immigration officals and police.

House arrest

There is one other alternative that has rarely been resorted to in this country. Instead of subjecting the person to the rigours of imprisonment, with all its attendant difficulties of visits by family and legal representatives as well as the inability to prepare one's legal defence, the person might be put under house arrest as a condition of bail. Requiring the accused to reside 24 hours a day at a specified address and not move outside the radius of a few miles need not involve surveillance by the police. If the residence is in some remote village any movement away from the immediate environs of the residence would be quickly noted and officially notified.

Where the only ground for refusing bail is the chance of a failure to answer to the bail, there is much to be said for this form of house arrest. It gives the person the qualified freedom with the maximum protection against his absconding. At a time when the Home Secretary is trying desperately to reduce the prison population—the remand population has been increasing along with the population of convicted prisoners—the courts should be looking for any alternative that is readily available.

When one considers that many of those convicted of fraud offences spend a great deal of their sentences in open prisons, from which they can physically walk out at any time and from which absconding is a rare occurrence (and then only for a short time before recapture) house arrest pending trial seems a sensible innovation.

TV/Radio

† Indicates programme in black and white.

BBC 1

10.05 a.m. Hector's House. 10.10 Daktari. 1.30 p.m. Andy Pandy. 1.45 News. 4.23 Regional News (except London). 4.25 Play School. 4.50 Screen Test. 5.15 Here Come The Double Deckers. 5.40 Sir Prancelot.

5.45 News.
6.00 Nationwide (London only).
6.25 Tom and Jerry cartoon.
6.30 Sportstown.
7.10 Star Trek.
8.00 My Honourable Mrs.
8.30 The Likes Of . . . Jack Hedley.
9.00 News.
9.25 Monday Film: "The Man With X-Ray Eyes," starring Ray Milland.
10.40 The Royal International Horse Show.
11.28 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—1.30-1.45 p.m. Pili Pala. 6.00-6.25 Wales To-day. 7.10-7.30 Heddiw. 7.30-8.00 Sykes. 8.30-9.00 Harry Cadwallader's Last Day. †11.28 News of Wales.

Scotland—6.00-6.25 p.m. Reporting Scotland. 11.28 Scottish News Summary.

Northern Ireland—4.23-4.25 p.m. Northern Ireland News. 6.00-6.25 Scene Around Six. 11.29 International Bowls highlights, followed by Northern Ireland News Headlines.

England—6.00-6.25 p.m. †Look North (from Leeds, Manchester, Newcastle); †Midlands To-day (from Birmingham); †Look East (from Norwich); Points West (from Bristol); †South To-day (from Southampton); †Spotlight South West (from Plymouth).

BBC 2

6.40 a.m. Open University.
11.00 Play School.
5.00 p.m. Open University.
7.30 Newsday.
7.45 Look, Stranger.
8.10 High Chaparral.
9.00 Horizon.
9.50 Centre Play.
10.20 Judy Collins in Concert.
10.55 News Extra.
11.25 Closedown: Martin Jarvis reads "The Fox," by C. Day Lewis.

LONDON

10.40 a.m. A Big Country. 11.10 Yoga for Health. 11.40 Soyuz Landing. 12.10 Cartoon. 12.30 Yak. 12.40 Mr. Trimble. 1.00 First Report, News, FT Index. 1.20 Lunchtime To-day. 1.30 Gambit. 2.00 Good Afternoon. †2.30 "The Private Life of Henry VIII," starring Charles Laughton and Robert Donat. 4.15 Sinbad Junior. 4.20 Clapperboard. 4.50 The To-morrow People. 5.20 Musical Triangles.

5.50 News from ITN.
6.00 To-day.
6.45 Whodunnit?
7.30 Coronation Street.
8.00 Man About The House.
8.30 Gosling's Travels.
9.00 Sam.
10.00 News.
10.30 Cimarron Strip.
11.55 Personal View.

All ITV regions as London except at the following times:

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. †2.30 Monday Afternoon Film: "The End of the Affair," starring Deborah Kerr and Van Johnson. 5.20 University Challenge. 6.00 About Anglia. 10.30 The Brian Connell Interview: Sir Frederick Snow, founder of the international consultancy of Frederick S. Snow and Partners. 11.00 Police Surgeon. 11.25 Reflection.

ATV MIDLANDS

1.20 p.m. Lunchtime Newsdesk. †2.30 Monday Matinee: "September Affair," starring Joan Fontaine and Joseph Cotten. 5.20 University Challenge. 6.00 ATV To-day. 10.30 Platform for To-day. 11.15 A Place in Europe.

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

1.25 p.m. Road and Weather Report. 2.00 Out of Town. †2.30 Feature Film: "Press for Time" starring Norman Wisdom. 5.20 University Challenge. 6.00 Scottish News. 6.05 Isabel on Monday. [illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 11.00 David Hamilton with The Radio 1 Roadshow. 12.30 p.m. Newsbeat. 12.45 Johnnie Walker. 2.02 Ed Stewart (S) also on VHF. 5.00 Newsbeat. 5.15 John Peel with Top Gear. 7.00-12.33 As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Simon Bates (S), including 6.15 Pause for Thought. 7.02 Terry Wogan (S), including 8.27 Racing Bulletin and 8.45 Pause for Thought. 9.02 [illegible] Murray's Open House (S), including [illegible] Waggoners' Walk. 11.30 Jimmy Young (S), including 11.45 The Apollo-Soyuz mission. 1.50 p.m. Sports Desk. [illegible] Good Listening (VHF). 2.02 [illegible] (S) as Radio 1, but including [illegible] only (also 202m Scotland). [illegible] 4.45 Sports Desk. 5.02 Waggoners' Walk. 5.17 Sam Costa (S), including [illegible] Desk. 6.45 Sports Desk. 7.02 [illegible] 7.30 Sports Desk. 7.32 Alan [illegible] Dance Band Days. 8.02 The [illegible] Sound (S). 9.02 Humphrey [illegible] with The Best of Jazz on records. 10.02 Sports Desk. 10.06 John [illegible] with Music Through Midnight [illegible] News. 12.31 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

‡ Medium Wave only

7.00 a.m. News. 7.05 Overture: [illegible] C. P. E. Bach, Beethoven (S). [illegible] News. 8.05 Morning Concert: [illegible] Berlioz, Saint-Saens (S). [illegible] 9.05 This Week's Composer: [illegible] 9.40 William Byrd recital. [illegible] and piano recital, part 1: [illegible] Beethoven (S). 11.20 Talk. [illegible] Concert, part 2: John Ogdon, [illegible]vich. 12.10 p.m. BBC [illegible]

RADIO 4

434m, 330m, 285m and VHF

[illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

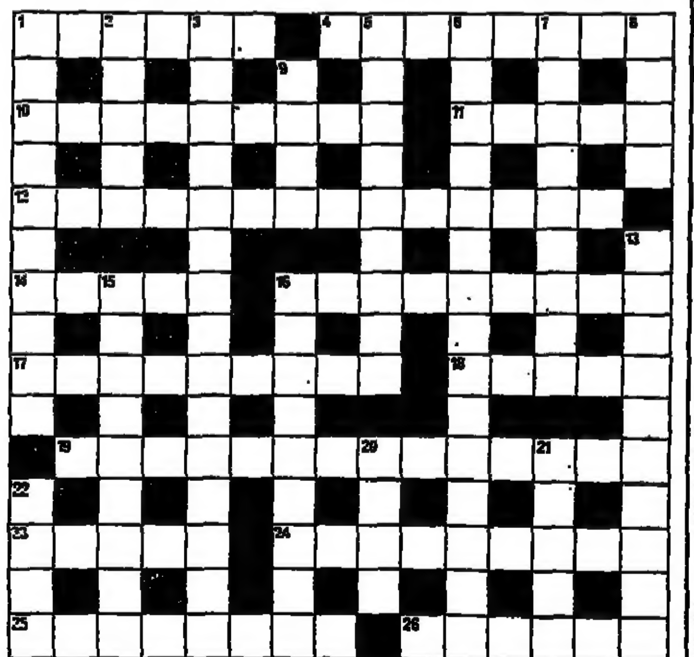
[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 2,834



ACROSS

1 Through the medium of not being far off (6)
4 Former P.M. goes to gallery wanting teeth (8)
10 Cat gets mad for underground fruit (5-4)
11 Discrimination in a sense (5)
12 Bears a grudge and keeps it in contact (5, 2, 7)
14 One in the force takes a burglar (5)
16 Young bird ran away with note and fish (9)
17 Mimicry maybe shapes sin (9)
18 Near the start of the darkness (5)
19 Keep one's eyes open and watch (2, 2, 3, 7)
23 Family start gathering for a jar (5)
24 A French spirit offered an excuse but was not ruffled (9)
25 Had a right to an inscription in the end (8)
26 Lively agent takes in a short sleep (6)

DOWN

1 A Red Indian assassin (7, 3)
2 Royal beer rising up (5)
3 Club hostesses or nocturnal singers (5, 2, 3, 5)
5 Those who plan to endorse in a rush coming up on Sunday (9)
6 Quite different, having nought in general (7, 2, 6)
7 Fool I cheat is aiding (9)
8 Woman with right is always . . . (4)
9 . . . right but only so-much and no-more (4)
13 Excitedly get at daily disturbance (10)
15 Wandering with it in eastern storm (9)
16 Loose accommodation where there's a choice of beverage (4-5)
20 Fat boy has right inside (4)
21 Flower with love and kisses (5)
22 Measure provided by airman and engineer (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

CRICKET — BY TREVOR BAILEY

Illingworth's men win cup, but make it hard going

LEICESTERSHIRE beat Middlesex comfortably by five wickets in the 52nd over to win an undistinguished and unexciting Benson and Hedges final. The result was really a racing certainty from before lunch. But the Midlanders did their best to make hard going of scoring 147 on a reasonable Lord's wicket against an attack, which was tidy but never dangerous. Leicester's running was poor running and their batting ordinary.

It is always disappointing for spectators when the team going in first performs as ineptly as Middlesex, who were rescued from utter disaster by Mike Smith.

Although not at his best, he did reach 83, but credit must be given to the tight Leicester attack under the admirable direction of Ray Illingworth. Their efforts meant that Ray's side could afford to cruise home at their own pace and consequently there was little exhilarating batting from either side.

The main point of interest lay in trying to guess in which over Leicester would reach their target. My view is that they would have won just as easily, probably more so, if it had been a Sunday league game and they had had only 40 overs available.

This was the fourth Benson and Hedges final, and the third in which Leicester have appeared, but unfortunately for the sponsors it has yet to provide a memorable match.

Certainly it is difficult to justify the stopping of all other county games, other than one against the Australians for a cricket showpiece, which has never entirely clicked.

All seats have already been sold for the Gillette final in September, yet there was plenty of room on Saturday. There must be some doubts as to the desirability, apart from the obvious financial reasons, of having four domestic competitions for the 17 counties. Leicestershire supporters would hardly agree, however, as they are beginning to regard this as their annual pilgrimage to Lord's.

It could be that this tournament needs to be revamped rather more drastically than the fresh zoning of the early rounds next season.

Slow bowlers

In spite of the obvious difficulty of definition I wish every team in Benson and Hedges matches was forced to include, and bowl, two slow bowlers. The fact that four were employed at Lord's was one of the happier features of a disappointing day, because it automatically increased the possible range of strokes.

On the other hand slow bowlers can, and often are, more economical than the straightforward seamer, as Illingworth, Steele, Titmus and Edmonds demonstrated yet again.

Leicester are a well-balanced team with an unusually high number of bowlers to call upon. Illingworth used seven against Middlesex and Birkenshaw was not even included in the team.

McKenzie and Higgs, though nearing the end of their careers are still a formidable opening pair, particularly in the limited over game.

McVicker captured the first four Middlesex wickets due more to the brilliant co-operation of Davison than anything else and sent them towards their defeat. Booth, with a fine swivelling body action, is improving steadily. Leicestershire's success in the one-day game could be said to stem more from the tightness of their bowlers than from match-winning innings by their batsmen.

Their batting has depth and character, but is perhaps a shade short of class and panache. Although Illingworth thinks highly of Steele and Balderstone neither looked more than a competant county performer on Saturday.

It was the captain in the closing overs who showed more authority with the bat than anyone, which is not entirely surprising considering his high place in the first-class averages.

Poor Middlesex were a big disappointment to their supporters. Their batting was suspect and their bowlers simply never had sufficient runs to enable them to have a serious chance of winning the match.

YACHTING — BY ALEC BEILBY

British Admiral's Cup hopes rise

DINARD, July 20.

THIS EVENING, while the Australian crew of John Kahlbetzer's Bumblebee III celebrated an overall victory in the 180-mile race from Cowes to Dinard, mystery still surrounds, in France at least, the disappearance of the two New Zealand Admiral's Cup yachts Barnacle Bill and Inca. Their third yacht, Gerontius, put into port with a sick crew member. Sea sickness, say the jubilant Australians.

The two British Admiral's Cup yachts that competed, Noryema and Battlecry, finished third and tenth in Class 1. The other two Australian yachts, Love and War and Mercedes, were sixth in Class 1 and 12th in Class 2, respectively. British Admiral's Cup hopes must rise a little on these results.

The race started on Friday morning in a light westerly breeze which freshened as the leaders passed south of the Isle of Wight.

Given an apparently freeing wind once round the Shambles light vessel off Weymouth, many yachts steered straight for the Hanois Light, the most westerly point of Guernsey, but found themselves to the east of the rhumb line and having to tack to round the headland and outlying rocks.

More Opposition, owned and sailed by Tony Morgan and originally selected as reserve yacht for the British Admiral's Cup team, is reported to have hit the rocks and to have certainly lost her rudder.

Bumblebee was among those who took the easterly track, quickly finding, where many have found before, that "West-is-best" when racing in the

Pen Duick VI, with Bumblebee, led the way past the Minquiers Bank as the helpful easterly tide slackened and the ebb began towards the West, slowing those astern and by the time these two, with Baron Rothschild's Gitana VI and Charisma were in the loch at St. Malo, the main body of the fleet was contemplating a second night at sea and the restaurateurs of St. Malo an evening of unfilled tables.

The wind returned with further tidal change and it soon became possible that it would be a small yacht that would take overall honours and that the Australian crew of Bumblebee would have to be content with merely the lead of the larger yacht of Class 1 and 2 on handicap. For a while, they had feared that Bill McCowen's Synergy might have led on handicap, but she missed it by 15 minutes.

The race from Cowes to Dinard, apart for those who raced offshore in the top league, is not too serious an affair and is the only British middle-season ocean race that ends in a French port.

Because of this and because there are many who would prefer to reach France earlier than dawn on Sunday, there is a strong movement afoot to persuade the organisers, the RORC, to start the race earlier, perhaps Thursday evening.

Usually this race is an indicator for the Admiral's Cup series, but this year it has proved little.

Thevenet dethrones Merckx

PARIS, July 20.

BERNARD THEVENET (France) to-day won the Tour de France cycle marathon, two minutes 47 seconds ahead of Belgian world champion Eddy Merckx.

Thevenet took over the race lead from Merckx after the 15th of the tour's 22 stages. The Belgian, weakened by a punch from a spectator and a bad fall in which he broke his left cheek, battled back strongly.

Merckx had never before been beaten in the tour, which he has won five times. Lucien van Impe (Belgium) was third.

MOTOR RACING — BY BRIAN AGER

Fittipaldi survives the deluge

EMERSON FITTIPALDI won the British Grand Prix at Silverstone on Saturday sitting in the pits while mechanics changed his tyres from dry-weather slicks to wets. Most of the other placed drivers were also sitting in stationary cars. They had crashed in a sudden downpour, which had made the track more suitable for water-skiing than for motor racing.

The race stewards took the only possible decision, stopping the race while there were still one or two unbent cars on the circuit. The results were based on the positions at the end of the previous lap.

This meant that Jody Scheckter, who had just burst past Carlos Pace, before they both aquaplaned off the track, was placed third and Pace second.

It was a confusing end to a fine race, with seven different drivers holding the lead.

Pace went ahead from the start, then Clay Regazzoni, who achieved the fastest lap, passed him at the entrance to the chicane. When Regazzoni went into the pits with a bent aerofoil Welshman Tom Pryce took the lead, but held it only three laps before crashing. Scheckter and Jean-Pierre Jarrier both held the front spot for a few laps before James Hunt fought his way to the front.

The British crowd had something to cheer as Hunt held off Fittipaldi, but a damaged exhaust robbed Hunt of vital speed and Fittipaldi went ahead. He held on to first place and was just ahead of the deluge which washed his closest rivals off the track.

One thing which all the crashes proved was the effectiveness of the catch fences—wire netting set at an angle to the track. These slowed the cars efficiently and no driver was seriously hurt in spite of the multiple shunts and the spectacular solo crash by Jarrier in front of the main grandstand.

First, E. Fittipaldi (Brazil, Texaco Marlboro McLaren), 1 hr. 22 min. 5 sec. (56 laps), 120.01 mph; second, C. Pace (Brazil, Martini Brabham); third, J. Scheckter (South Africa, Tyrrell Ford); fourth, J. Hunt (Great Britain, Hesketh); fifth, M. Donohue (U.S., Penske March); sixth, V. Brambilla (Italy, March Ford).

World Championship positions: First, N. Lauda (Austria), 47 points; second, E. Fittipaldi, Brazil, 33 points; third, C. Reutemann (Argentina) and J. Hunt, (Great Britain) 25 points.

RACING — BY DOMINIC WIGAN

Smuggler's French challenge

SMUGGLER, who landed Royal Ascot's Chesham Stakes on his racecourse debut a month ago, was far less impressive in the Donnington Castle Stakes at Newbury on Saturday.

The West Ilsley two-year-old backed down to 8-13 on the strength of his reportedly impressive home work since the Royal meeting, had to be driven right out by Joe Mercer riding at his strongest, to hold off Pirate Dream by threequarters of a length.

Although Smuggler should have a good deal of improvement still in him, I believe that the Prix de la Salamandre (his next objective) will prove to be too tough.

Major Dick Hern, who trains Smuggler for the Queen's racing manager, Lord Porchester, has a wealth of two-year-old talent this season, with Relkino and Riboboy, who run in the colours of Lady Beaverbrook, both expected to make the top grade.

Riboboy, an impressive winner at Newmarket's July meeting 10 days ago, will probably reappear in one of his three Goodwood engagements next week; while Relkino, now 12-1 for the 1976 Derby with Hills on the strength of an easy Newbury success on Friday, goes for York's Acomb Stakes, after which it is hoped he will prove good enough to run in the Dewhurst Stakes at Newmarket.

AYR
3.15—Seven the Quadrant
3.45—Callanish**
4.45—Parlais

PONTEFRACT
3.45—Kirov
4.45—Glenpatrick

WOLVERHAMPTON
2.00—Golden Lad
3.30—Pigsticker***
4.00—Track Minstrel

WINDSOR
6.20—Broken Date*
7.50—Mellon
8.50—Princely Mark

Lester Piggott, whose astute judgment of form helped him to victory on Juliette Marny in Saturday's Irish Guinness Oaks, takes a day off from raceriding to-day, which should enable Pat Eddery to consolidate his lead in the jockey's table. Eddery, currently 18 clear of Piggott, rides at Wolverhampton this afternoon before taking in Windsor's evening meeting. I expect him to have at least one winner on each course.

At Wolverhampton, the champion jockey's best prospect appears to be Pigsticker, who has only two—Attymon Place and Precious McKenzie—to beat in the Saint Clair's Farm Stakes (3.30); while Mellon ought to give him a winning ride in the Berkshire course's Woodland Plate (7.50).

Turning to Ayr, where the most valuable race, the Tennent Trophy (3.15), is likely to go to Seven the Quadrant, another Findon representative, Callanish is a reasonably confident choice for the Turnberry Handicap half an hour later.

Letter from Poland

Brook and Grotowski in Wroclaw

by OSSIA TRILLING


Bibi Anderson (Viola) and Lil Terselius (Olivia) in Ingmar Bergman's production of 'Twelfth Night'

An off-shoot of the old Theatre of the Nations, which died of inanition some five years ago but last month staged a comeback as the world's first itinerant theatre festival, was its university. This, in its day, had produced some remarkable graduates, like Victor Garcia or Jorge Lavelli. This year both the university and its parent body were revived by the International Theatre Institute, the former in Wroclaw on the Odra, the latter in Warsaw on the Vistula. Each may truly be said to have been set on fire, artistically speaking, as a direct result of what Jean-Louis Barrault has called "the miracle of Moscow." This is a reference to the historic resolution passed at the 1973 ITI Congress in Moscow, which put the ITI actively into business again.

The success of the Warsaw Festival and of most of the Wroclaw workshops, which ended on July 9, is assured and the festival's future is no longer in doubt. It will go to Belgrade in 1976, Western Germany in 1977, and Paris again in 1978. Wroclaw, home of Jerzy Grotowski's Laboratory Theatre, was the obvious choice for the 1975 university sessions. Barrault, Barba and Ronconi (from Italy, Chaikin and Gregory from the U.S.A., Grotowski himself, and our own Peter Brook ran the workshops: some, alas, behind locked doors, so that their success must be taken on trust.

Brook showed the film he and his International Theatre Research Centre made for French TV during part of their visit to Africa two years ago and talked about it instructively in the crowded Polski Theatre in Wroclaw. The lessons of that trip were debated and imparted to an eager audience. Brook took full advantage of this timely occasion to spread his gospel of search and discovery in the field of actor-audience contact among persons of divergent and even irreconcilable cultural backgrounds.

Back in Warsaw the re-born "Théâtre des Nations" was baptised at an imposing opening ceremony attended by theatrical bigshots from every continent, with a delightful performance of Telemann's *Il Pimpinone* in a candle-lit drawing-room in the rebuilt 18th-century Lazienki Palace, and the Polish premiere of Penderecki's *The Devils of Loudun* in the Grand Theatre. This event alone deserves recording for two reasons: first, because some rearrangements and minor additions to the score enabled Kazimierz Dejmek, in a striking production of the highest international standard, to give equal emphasis to the political rivalries and the psychological impasse that destroyed the figure of the Catholic priest whose illicit marriage—born of true love—was also a form of social protest; and secondly, because it marked the formal return to favour of its producer.

The 4th Congress of the International Association of Theatre Critics, attended by delegates from 25 countries, reached a surprising degree of unanimity when the topic of the impossibility of theatre criticism was debated. The ensuing three-day Symposium on New Trends in the Modern Theatre, on the other hand, revealed the continuing cleavage of views both as between East and West and as between rival tendencies within each camp. This latter event, and an exhibition of theatrical posters, an art in which the Poles clearly excel, were held in the former Royal Palace at Wilanow. A third regal venue was the partly reconstructed Royal Palace in the capital, another architectural feat that testifies once again to the Poles' indomitable will towards survival and renewal.

Here, in the unplastered, red-brick interior of a half-finished ballroom, intended to hold a few hundred at the most, 3,000 theatre fans gathered to listen to Jerzy Grotowski (nicknamed by one Polish enthusiast as "our theatrical guru"), expounding his new-found philsophy of "The Mountain of Flame." This not only presaged the imminent end of all public performances of his laboratory but also inaugurated a period of theatrical experiment with a chosen few, professional and amateur, willing to work as guinea-pig anchorites in cloistered surroundings. It was one such workshop from which a number of guests, invited to Wroclaw for the purpose, were abruptly excluded by "the great man" at the last moment.

If the rhythmic clapping that signifies a Polish audience's utter delight at the end of a performance is anything to go by, one would be hard put to it to list the festival entries in order of artistic merit. The following all received the prolonged traditional accolade in equal measure: the Milan Piccolo, the Stockholm Dramaten, the Gothenburg City Theatre's *Gustav III*, the Waseda Sho-Gekijo Theatre from Tokyo, the West Berlin Schaubühne, the East Berlin Volksbühne, and the Glasgow Citizens' Theatre. There were 18 companies from 16 countries in all, a veritable feast for the eye and ear, even without benefit of simultaneous translation.

Philip Prowse's eye-catching production of Webster's *The Duchess of Malfi* from Glasgow (the British entry, presented by the British Council) fully deserved its rapturous reception, both in Warsaw and later in Wroclaw, where the mainly university audiences evidently knew enough about their author to relish his wit-laden verse and the youthful company's extrovert performances. Used to imaginative stage-design, the Poles equally obviously approved Prowse's opulent costumes and the ingenuity of his terraced setting, crowned as it was throughout by the silent figure of Death, the Great Manipulator, and, after her murder, by his companion, the inshrined figure of the Duchess, looking for all the world like some martyred Polish saint.

Ingmar Bergman's bitter-sweet version of *Twelfth Night*, from Stockholm, was staged as a play within a play and performed by Antonio's players (Antonio made up as the Bard) in an Elizabethan court-setting by Gunilla Palmstjerna-Weiss. In an upper gallery, Daniel Bell's on-stage orchestra won all hearts by singing the opening madrigal's opening words ("Welcome!") in Polish. Bergman neatly emphasised the grossness of Shakespeare's bawdiest comedy and the sensual longings of its lovelorn characters without letting the poetry lose its force. A thought-provoking comment was Bergman's ambivalent view of Illyria, in which the buffoons, from Feste to Malvolio, were played as elderly characters, "well past their performance," but still obsessed "by their desire," while an androgynous Viola (Bibi Andersson) willingly let herself be fondled by Heinz Hopf's epicene Orsino.

Bitter-sweet is an epithet that could as well apply to Giorgio Strehler's latest Goldoni, which had its belated first night in Milan only days before surfacing in Warsaw. In *Il Campiello*, or *The Little Square*, Goldoni makes great play of the social and linguistic gulf separating the squabbling poor in a snow-laden Venetian backwater at winter-carnival time from their Neapolitan "betters." Strehler offers a happy-go-lucky view of their turbulent life, at once absurd and tearful, and Luciano Damiani, as always, fills the stage with simple, yet seemingly intricate and spectacularly lit theatrical settings that imperceptibly spill over into the auditorium. At the head of a well-knit ensemble of newcomers to the Piccolo are Micaela Esdra as the trusting, rich heroine, Gasparina Achille Millo as her Neapolitan suitor, and Bruno Zanin, a "natural" young talent (discovered by Fellini and starred in *Armarcord*), who unbelievably has never before stood upon a stage, as the scallywag Zorzetto.

Presented by Tadashi Suzuki's nine-year-old troupe, *Concerning the Dramatic Passions*, dating from 1966, is an example of that esoteric genre "the theatre of possession." It is both a didactic demonstration of Suzuki's method and a view of the results applied in practice. To taped Japanese "pop-music," the 80-minute-long collage of ancient and modern combines contemporary social realism with traditional Kabuki exoticism. To tell his tale of terror and suffering Suzuki has cast in the role of the diabolically possessed and mentally deranged protagonist, the dead Princess Hanako, the extraordinary actress Kayoko Shiraishi. Her amazing physical stamina and vocal range, to say nothing of her natural, unmade-up, mask-like anguished features, have no counterpart in any Western theatre I have ever seen. Warsaw audiences cheered her and her fellow actors like mad.

Fairfield Hall, Croydon

Salute to Ted Heath

by KEVIN HENRIQUES

Although it is almost six years since Ted Heath died it is gratifying to know that the big band swing music he excelled in presenting can still attract a sizeable audience. It did on Friday at Croydon when an imposing 17-piece pick-up group labelled "The British All-Stars," most of whom (including the leader trumpeter Stan Reynolds) were among the band's ranks at one time, played tunes associated with Heath.

But, like the recent Louis Armstrong tribute at the Festival Hall, this was no maudlin, note-for-note remembrance of a much respected figure. The tribute and the salute were eloquently expressed by the crisp performance of the All Stars which would have certainly met Ted Heath's demanding standards. So, too, would the programming which combined full band work-outs of contrasting moods, features for vocalists, plus the bonus of guest artists. What a devotee might complain about was the meagre ration of small group features from within the band personnel which Heath usually included to mollify the more jazz-minded among his audience.

On Friday most of the solos from the band were expertly handled by that redoubtable Heath stalwart Duncan Campbell on trumpet and flugelhorn, although there were far too few snatches from Kenny Baker next to him in the section and also the third of the four trumpets, Leon Calvert.

Almost all the lengthy, improvised playing was heard from the guest musicians—the brilliant pianist Eddie Thompson, heard, alas, on only two numbers, soprano-saxist/tenor-saxist Barbara Thompson who joined another trumpeter/flugelhornist Johnny McLeavy for some powerful playing, on a "Blues for Adolphe Sax." The vocals were handled with sure professionalism and ease by the ever-reliable Dennis Lotis and Lita Roza with third man Monty Babson, who doubled as compere, proving in a couple of songs, especially the Ted and Moira Heath collaboration "Lovely Weekend," the injustice of a music business in which his musicianly voice has never gained the acclaim and fame it deserves.

But fittingly in a Ted Heath tribute the real star was the band itself: that stunning section work, crisp, firm playing and near-Basie like dynamic feeling. And Ted Heath, who started out as a trombonist and whose trombone section always showed its debt to Tommy Dorsey, would have approved Wally Smith's lyrical contribution (both open and mute) to "Melancholy Baby." In contrast there were up-tempo flag-wavers such "The Sabre Dance," "Holiday for Strings" and "Great Day" which were attacked with biting precision. And for those wanting something in the modern idiom there was a chugging, insistent theme from "Shaft" which had an unusual baritone-sax, four flutes voicing.

Cambridge Festival

World Music

by DOMINIC GILL

The British premiere of Tim Souster's *World Music* for four players, live electronics and tape was given by Intermodulation at a concert presented by the Cambridge Festival in the auditorium of the Cambridge College of Arts and Technology on Friday night.

The title of the work reflects the nature of the piece generally, and also in particular some of the processes which were used to construct it. *World Music* was first conceived as tape-music—a sequence of "musical orbits" of the earth, as if a satellite could be imagined circling the world in 360 seconds, or six minutes, one second to each degree. Souster mapped out three orbits as accurately as possible on a globe: south-east from Seattle, Washington; south from Vienna; north-west from Bali. The intention, however, was not to borrow or quote directly from any music of the countries passed over by the satellite: the path of the chosen orbit, rather, determined certain formal proportions ("The sudden rush of activity and change characteristic of the land-masses gives way to the immense calm of the oceans")—and the starting-point of the orbit on each occasion decided, by simple geographical association, the kind of instrumental sonority to be used and electronically transformed.

A tape "lift-off," and two interludes with a coda-like *Abgesang* for instrumental ensemble were later added, each related in certain ways to one of the three tape orbits. Seattle is the birthplace of the guitarist and rock-singer Jimi Hendrix: the sound of the feed-back guitar, and electric guitar techniques generally, is the basis for the first tape orbit and interlude. Vienna recalls the classical string quartet: the second tape orbit thus chiefly employs and transforms viola sounds, and the second interlude includes a viola cadenza—most of the material of the three instrumental sections, furthermore, is derived from the all-interval tone-row used by Alban Berg in his *Lyric Suite*. In the third orbit, the world of Balinese music is invoked by gong sounds superimposed, slowed down and speeded up on tape.

There is cross-fertilisation, too, and the combining of different techniques. At one moment in the score, the gongs give out "the exact rhythmic structure of a Balinese piece rendered in terms of dissonant harmonies derived from a serial note-row." The title in this respect has more direct and explicit significance: throughout *World Music* we hear, for example, "antiphonal music based exactly on the rhythmic structure of a piece of choral music from Ethiopia; heterophonic sections in which a single melodic line is played at different speeds by several players simultaneously; music based on riffs common in jazz and rock."

It's an attractive idea, which Souster works out deftly and with lively imagination. The thread could perhaps do with tightening here and there: the seven sections of *World Music* last together just 70 minutes, and once or twice there was a perceptible slackening of dramatic impetus which I suspect might be eliminated by judicious trimming. But for a new work of such considerable length and elaboration, it contains few longeurs. I liked the neat dovetailing of recorded extracts of astronautical conversation with the larger musical texture. And I specially admired the way Souster has managed to combine such rigorous technical organisation on the one hand with a nice sense of musical freedom, of spontaneity and breadth of gesture, on the other.

There were some exhilarating moment: simple but subtle variation of melodic and rhythmic patterns in the riffs; a brilliant final riff, strong, assertive, a powerful sense of climax without haste or speed; and some memorable textural permutations of electric organ, electric piano, viola, bassoon and saxophone, and percussion, with or without amplification and ring-modulation—best of all these, I thought, two very quiet sonorities, in the first interlude of amplified gong, baby-cymbals and bells played against slow-held electric organ chords: and in the *Abgesang* the sound of these same gongs, cymbals and bells amplified in slow glissando through a voltage-controlled ring-modulator: very beautfiul.

The title is also, finally, ironical. To stress the point, Souster includes in the closing section of his work where tape and instruments come together for the first time, "particularly banal and cant-ridden utterances on tape from ex-Presidents Nixon and Johnson about the oneness of little-old earth, and how lovely it looks out there 'as God sees it' (Nixon's words)". The quotations are apt—though closer focus, and more cogent argument, poetical or logical, for some more particular principle, could have allowed *World Music* more satisfying polemical force: both targets have by now, since the composer started work on his orbits at the end of 1973, been rather accurately and comprehensively drilled with holes.

The performance itself, upset by a couple of unfortunate technical accidents, was on this occasion marginally less persuasive than the rehearsal I heard: but Intermodulation play *World Music* again in London at the ICA on September 14. Worth a visit.

Albert Hall

Beethoven

by MAX LOPPERT

The soloist in Saturday's concert, fifth in the Antal Dorati RPO Beethoven series, was Yehudi Menuhin. The first two, identical phrases with which the violinist enters the slow movement of the concerto, provided in effect a summary of the performance: the first, tenderly rising above the stave, with both intimacy and poise, and a masterly use of half voice; the second, similar in spirit but awry in the actual sounding of the notes, with a slight yet notable misplacement of the final D.

Mr. Menuhin had the considerable advantage of an orchestra courteously damped down by the conductor, so that the slender thread of tone was never threatened with submergence. Even so, much of the opening Allegro gave off an air of tension, as though the inimitably soulful, noble qualities in the solo playing were struggling to express themselves despite, or even above, the ever-present hazard of technical awkwardness. One quality in the music seems now to have been sacrificed—the dancing, joyous lyricism of the last movement, which functions as a release after so much inward communion. Here, with sedate tempo and cautious phrasing, release was hard to experience.

An uneven performance, yet also memorable. It had, above all, a sense of engagement with the music, a quest to find fresh feeling, that set it far above the rest of the concert, with tidy, unimaginative playing of the *Consecration of the House* Overture and the Fourth Symphony. It now seems all the stranger that a conductor with apparently so little of personal or unusual conviction to bring to Beethoven should have chosen the start of his RPO tenure to advertise the fact—particularly when he is known as a musician of muscle and flair in other fields. But then, a Dorati/Bartok cycle would hardly fill the Albert Hall as fully as these concerts have so far done.

Timothy West in B. S. Johnson premiere

Timothy West will play the lead-part in *Down Red Lane*, a play by B. S. Johnson, which will be given its world premiere at The Open Space, Tottenham Court Road, W.1, on Tuesday, July 29, and play for three weeks.

This lunchtime presentation will be directed by John Abulafia, and features Simon Callow and Martin Coveney. The play is set in a gourmet restaurant and tells of the last meal eaten by its oldest and fattest customer.

Aldwych

Hedda Gabler

by MICHAEL COVENEY

"Like a powerful dramatisation of a novel" was one of Raymond Williams's phrases for Ibsen's great play and the truth of that is demonstrated by the room for manoeuvre each revival seems to allow its executors: so much has to be filled in to convey the difference in Gabler's little daughter on her return from a wretched six-month honeymoon with a self-absorbed bookworm. What has happened to Hedda before the play starts is material for chapters of psychological narrative. One only has to think of George Eliot's Dorothea, or Henry James's Isabel, other literary heroines with spirits threatened by a disastrous marital liaison.

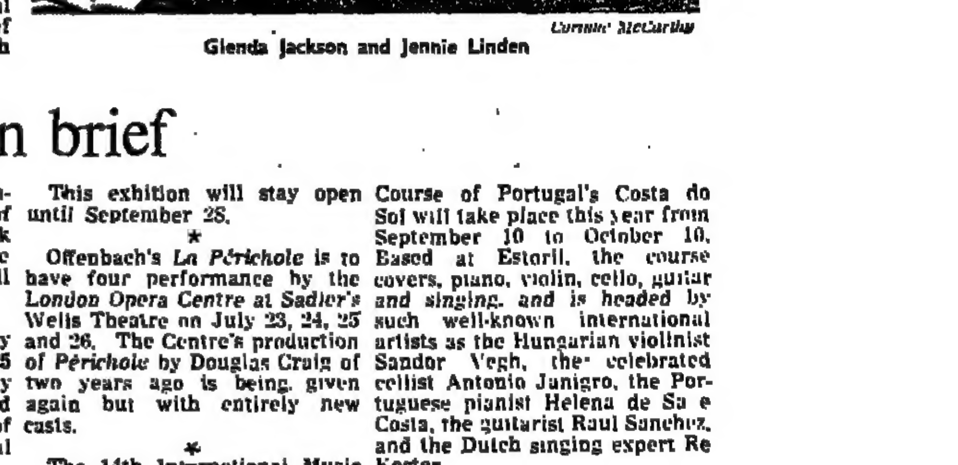
It is a mysterious decision of director Trevor Nunn to present us with a Hedda who has lived through the shock of discovery at her mistake and now treats Tesman as a bouncing board for throwaway inflections and languorous comic bravura. As played by Glenda Jackson it is impossible to imagine the girl putting up with her husband for one night, let alone six months. And this is because there is little evidence in so luxurious a performance of the late 19th century fear of public scandal, a fear that prevents Hedda from stepping off Judge Brack's metaphorical train, of allowing the world to know that all is not well behind the lace curtains. (And John Napier's design provides some very attractive dyed-brown lace curtains.)

Miss Jackson meets every utterance of Tesman with either withering scorn or total disgust. When left alone she throws her arms about in gestures of total frustration that only re-emphasise her actions in front of everyone else. Her relationship with Mrs. Elvsted (played with unnecessary hysteria by Jennie Linden) is at the very least crypto-lesbian: her scenes with Judge Brack (Timothy West) conducted with an air of oily relaxation and knowing, mutual respect. How on earth are we to believe in the history of clandestine cuddles on the sofa with Lovberg (Patrick Stewart) if her behaviour is throughout so confident and extravagant? Lovberg's ignominious demise is the final spur to a self-destructive act of release. "People don't do such things" is Brack's sudden verdict at the play's end. In this production they most certainly would, and no one should be surprised.

It is left to Peter Eyre as Tesman to provide the best acting of the evening, winsomely accepting each venemous dart as though it were a sign of his good fortune in trapping the best catch in town. His sheer astonishment at having been accepted by the colonel's daughter can only too easily be imagined, and Mr. Eyre modulates his puppy dog simpering with a strong and convincing picture of a man inevitably and hopelessly dedicated to pointless tasks. It is a beautiful performance, implying the crucial fact that the re-assembling of Lovberg's futuristic masterpiece is undertaken by a mere librarian who is not even an ardently lesser fellow spirit.

There is a curious lack of rhythm in the production. The burning of the papers, the first entrance of Judge Brack through the garden, the jocular firing of the pistol, the solemn rejection of Lovberg—none of these famous scenes are injected with any hint of tension or foreboding. It is difficult, too, to detect from the performances what the actors wish us to make of the continual, veiled references to the Ibsenite qualities of "vocation" and "courage."

Even in Mr. Nunn's own new version (from a literal translation by Kirsten Stenberg Williams) there remains a misty ambiguity over what is meant by "living in spite of everything." The ideas remain locked in statements: the acting never supplies us with a key. At the end Hedda nearly vomits on her dress at the news of Lovberg and fires her parting shot to escape boring evenings with Judge Brack. We are left with melodrama instead of tragedy. Not even a trace of cruel farce.


Connie McCarthy
Glenda Jackson and Jennie Linden

Arts news in brief

The Sankofa Sunshine Drummers, Dancers and Singers of Ghana are giving a three-week season at the Young Vic Theatre in The Cut, Waterloo, until August 9.

★

The National Portrait Gallery is putting on show from July 25 its large holding of portraits by G. F. Watts, the distinguished Victorian artist. The majority of those were given to the National Portrait Gallery by the artist. This exhition will stay open until September 28.

★

Offenbach's *La Périchole* is to have four performance by the London Opera Centre at Sadler's Wells Theatre on July 23, 24, 25 and 26. The Centre's production of *Périchole* by Douglas Craig of two years ago is being given again but with entirely new casts.

★

The 14th International Music Course of Portugal's Costa do Sol will take place this year from September 10 to October 10. Based at Estoril, the course covers, piano, violin, cello, guitar and singing, and is headed by such well-known international artists as the Hungarian violinist Sandor Vegh, the celebrated cellist Antonio Janigro, the Portuguese pianist Helena de Sa e Costa, the guitarist Raul Sanchez, and the Dutch singing expert Re Koster.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	North-West Home and Leisure Exbn. (cl. July 26)	Blackpool
Current	Brighton Antiques Fair (cl. July 26)	Corn Exchange
Current	Fish Catering Services Exhibition (cl. July 21)	Regent Centre Hotel, W.1
Current	Northern Lighting Exhibition (cl. July 24)	Manchester
Current	Harrogate Gift Fair (cl. July 24)	Harrogate
July 22—24	Royal Welsh Show	Builth Wells
July 25—26	Country Landowners' Assn. Game Fair	Chatsworth
July 28—Aug. 1 .	Intnl. Fire Exhibition and Conference	Olympia
July 29—Aug. 2 .	Tyneside Summer Exhibition	Newcastle upon Tyne
July 30—Aug. 2 .	Royal Lancashire Show	Kirkham
Aug. 1—2	The Hull Show	Kingston upon Hull
Aug. 2	Perthshire Agricultural Show	Perth
Aug. 3—7	Midlands Toy and Gift Fair	Solihull
Aug. 5—9	Dublin Horse Show	Dublin
Aug. 11—14	British Furniture Manufacturers' Exbn.	Manchester
Aug. 14—15	United Counties Agricultural Show	Carmarthen
Aug. 17—21	International Gift Fair	Earls Court
Aug. 22—30	European Model Railway Festival	Central Hall, S.W.1
Aug. 23—31	Brighton Intnl. Exbn. and Trade Fair	Metropole Exbn. Hall
Aug. 23—Sept. 6 .	Handicrafts and Do-it-Yourself Exbn.	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Manf. Equip. for Aluminium Products (cl. July 24)	Moscow
Current	International Ocean Exposition (cl. Jan. 18)	Okinawa
July 26—Aug. 3 .	Dornbirn Fair	Dornbirn, Austria
July 26—Aug. 3 .	International Arts and Antiques Fair	Helsingborg, Sweden
July 28—Aug. 1 .	Packaging and Food Processing Exbn.	Johannesburg
July 28—Aug. 2 .	International Engineering Exhibition	Melbourne
July 28—Aug. 2 .	Instruments, Automation, Electronic Control	Melbourne
July 29—31	Western Packaging Exhibition	Anaheim, U.S.
Aug. 1—10	Intnl. Sports equipment Exhibition	Singapore
Aug. 3—5	Shoe Show and Fashion Week	New York
Aug. 5—8	Aids to Navigation (Trinity House sponsored)	Ottawa
Aug. 6—20	Fishing Machinery Equip. and Processing	Leningrad
Aug. 9—17	Austrian Timber Fair	Klagenfurt
Aug. 15—24	International Trade Fair	Malmo
Aug. 17—20	Fancy Food and Confection Show	Chicago
Aug. 20—Sept. 1 .	Plant Protection Exhibition	Moscow
Aug. 20—Sept. 5 .	International Fair	Algiers
Aug. 20—Sept. 6 .	New Zealand Trade Fair	Wellington
Aug. 20—Sept. 20	International Fair	Izmir, Turkey
Aug. 22—24	International Men's Fashion Week	Cologne
Aug. 22—Sept. 7 .	International Trade Fair	Reykjavik
Aug. 23—27	International Leather Goods Fair	Offenbach
Aug. 24—26	International Fashion Fair	Gothenburg
Aug. 24—27	International Fair	Frankfurt
Aug. 24—28	Fall Gift Show	Montreal
Aug. 26—29	Intnl. Sports and Recreation Trade Fair	Stockholm
Aug. 26—28	National Hardware Show	Chicago
Aug. 27—Sept. 7 .	Ideal Home Exhibition	Dublin
Aug. 28—Sept. 2 .	Radio and TV Exhibition	Zurich
Aug. 28—Sept. 7 .	Mining Industry Technical Exhibition	Donetsk
Aug. 29—Sept. 7 .	International Radio and TV Exhibition	Berlin
Aug. 31—Sept. 2 .	Men's Fashion Fair	Copenhagen
Aug. 31—Sept. 7 .	International Autumn Fair	Leipzig

BUSINESS AND MANAGEMENT CONFERENCES

Current	International Marketing Programme (cl. Aug. 2)	Emmanuel Coll., Cambridge
To-day	IEE Industrial Instrumentation (cl. July 25)	Sussex University
July 23—24	Financial Times, Irish Times and Berlinske Tidende: Europe after the Referendum	Dublin
July 23—25	Dunchurch College: Presentation	Dunchurch, near Rugby
July 23	Coll: Dist. Trades: Careers Conference	30 Leicester Square, W.C.2
July 25	Coopers & Lybrand: Market Assessment	Glasgow
July 29—31	Guardian Bus. Ser.: Effective Interviewing	St. Ermin's Hotel, S.W.1
July 29—31	ASM: Project Management	Piccadilly Hotel, W.1
Aug. 3—8	N-E London Polytechnic: Systems Workshop	Chelmsford
Aug. 3—10	BACIE: Educ. and Training in England 1975	Wadham Coll., Oxford
Aug. 4—5	Marketing Imp.: Finance in Marketing	7 Kendall Place, W.1
Aug. 11—15	ABRAXAS Man. Research: Basic Synetics	Richmond Hill Hotel
Aug. 28	Avon Noise Control: Industrial Noise	Melksham, Wilts.
Sept. 1—2	Financial Times, Norwegian Journal of Commerce and Shipping, Svenska Dagbladet, Berlinske Tidende, Helsingin Sanomat and the Oil Daily: The Second Scandinavia and the North Sea Conference	Oslo
Sept. 1—5	Brunel Univ.: Workplace Negotiations	Uxbridge, Middlesex
Sept. 1—26	Harry Mitchell & Partners: Work Study	Beeston, Notts.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—
Elswick Hopper, 10a, Chandos Street, W., 12.30.
Hill (Charles) of Bristol, Bristol, 11.
Incledon and Lamberts, Birmingham, 2.30
L.E.T. Holdings, Electra House, Temple Place, W.C., 10.
United Capitals Investment Trust, Cardiff, 12.30.

BOARD MEETINGS—
Finals:
Christie-Tyler
Danae Invest. Tst.
Dowty
Kwikform
Interims:
Kershaw (A.)
M.K. Refrigeration
Rank Organisation

DIVIDEND & INTEREST PAYMENTS—
British and American Film Holdings 1.41065p
Camford Engineering 1.34p
Clarke Nickolls and Coombs 0.7256p
Dent Fownes Ln. 3½p
EMI 2.625p
Elys (Wimbledon) Db. 3¼pc. Ln. 4¼pc
Firestone Tire and Rubber 27.5 cents
Fledgeling Invest. Db. 3½pc
Goldring 0.525p
Keystone Invest. 1.25p
Land Investors 0.35p
London and Holyrood Trust 1.85p
London and Provincial Trust 1.7p
Management Agency and Music 1.95p
Newcastle-upon-Tyne 7⅝pc Bds. Red. 21.7.75 3¹³⁄₁₆pc
Quaker Oats 20 cents
Ranks Hovis MacDougall 1.08875p
United Spring and Steel 0.42p

TO-MORROW

COMPANY MEETINGS—
Alpine Soft Drinks, Birmingham, 12.
Billam (J.) Sheffield, 12.
Brown (N.) Investments, Manchester, 12.30.
Hardy (Furnishers), 30, Portland Place, W., 12.
Macanie (London), 22, Hanover Square, W., 3.
Northern Goldsmiths, Newcastle upon Tyne, 10.45.
Petbow, Sandwich, 12.
Property Holding and Investment Trust, Dorchester Hotel, 12.15.
Sumner (Francis), Great Eastern Hotel, E.C., 10.30.
[illegible]

Harrisons and Crosfield, 14, St. Mary Axe, E.C., 11.45.
Invergordon Distillers, Glasgow, 12.
Lloyd (F. H.), Winchester House, E.C., 12.
London and Aberdeen Investment Trust, Winchester House, E.C., 11.
Monks Investment Trust, 29, Gresham St., E.C., 10.30.
Oxley Printing, 55, Conduit St., W., 12.
Samuel (H.), Birmingham, 12.
Technology Investment Trust, 8, Crosby Square, E.C., 12.
Triplevest, 117, Old Broad St., E.C., 2.30.
Piccadilly, W., 3

BOARD MEETINGS—
Finals:
Borelli Tea
Customagic
Energy Services and Electronics
Majuli Tea
Neepsend
St. Piran
Unigate
Ward and Goldstone
Interims:
Beristords
Bullough
English Assoc. of American Bond and Shareholders
Gillett Bros. Discount
Nigerian Electricity Supply

DIVIDEND & INTEREST PAYMENTS—
Aylesbury 13¼pc Bds. Red. 23.7.75 £7.1656
Ayr 13¼pc Bds. Red. 23.7.75 £7.1656
Blaby 13¼pc Bds. Red. 23.7.75 £7.1656
Blackpool 13¼pc Bds. Red. 23.7.75 £7.1656
Bolsover 13¼pc Bds. Red. 23.7.75 £7.1656
Brent 13¼pc Bds. Red. 23.7.75 £7.1656
Brown (N.) Investments 1.683p
Broxbourne 13¼pc Bds. Red. 23.7.75 £7.1656
Broxtowe 13¼pc Bds. Red. 23.7.75 £7.1656
Buckhaven and Methil 12¾pc Bds. Red. 23.7.75 £7.1656
Calyns 3.4p
Carless, Capel and Leonard 0.4453p
Cynon Valley 13¼pc Bds. Red. 23.7.75 £7.1656
Dudley 13¼pc Bds. Red. 23.7.75 £7.1656
Dyfed 13¼pc Bds. Red. 23.7.75 £7.1656
English China Clays 0.8748p
Flexello Castors and Wheels 0.87p
Freshbake Foods 0.125p
[illegible]

BOARD MEETINGS—
Finals:
Astra Secs.
Burt Boulton
Coated Metals
Comm. Bank of Australia
Crossfriars Trust
First Union Gen. Invest. Tst.
Gordon and Gotch
Harris (Philip)
Inchcape
Western Board Mills
Interims:
Beaumont Props.
Braid Grp.
Gestetner

DIVIDEND & INTEREST PAYMENTS—
Austin (E.) (London), 1.932p
B.E.T. Omnibus Services 10pcPrf., 3.5pc.
Beaver Grp., 1.375p
Bell and Sime, 2.678p
Bishop's Stores Ord. and 'A', 1.0947p
English and Caledonian Inv., 1.45p
Fraser Ansbacher, 0.715p
Frith (W.G.), 0.5p
GEI Intl., 1.927p
Hoveringham Grp. Ord. and Rest. Ord., 0.325p
Kayser Bondor, 1.438p
Kulim, 0.85581p
Lndn. and Aberdeen Inv. Dfd., 1.55p Pfd.Ord., 1.55p
Mills (A.J.), 1p
Peacock Sasini Estates, 2.49539p
Rand Selection Corp., 32cts.
Robertson Foods, 3.22p
St. George Assets, 0.22p
S. African Townships Mining and Fin. Corp., 27.5cts.
Winn (Charles) Deb., 3½pc

FRIDAY, JULY 25

COMPANY MEETINGS—
Allida Packaging, Heanor, Derbyshire, 12.
Berkeley Hambro Ppty, 51, Bishopsgate, E.C., 12.
Northants., 2.30
Chamberlain Phipps, Higham Ferrers, 12.
Chamberlin and Hill, Walsall, 12.
Ferguson Ind. Hldgs., Cumbria, 11.30
Giltspur, Europa Hotel, Grosvenor Sq., W., 12.
Jeavons (E.E.), Tipton, W. Midlands, 12.
Jones (E) (Contractors), Llandudno, 12.
Northern Sec. Trst., 16, St. Martin's-le-Grand, E.C., 12.
Pegler-Hattersley, Doncaster Racecourse, 12.
Seaham Harbour, Seaham, Co. Durham, 11.
[illegible]

LABOUR NEWS

Holidays delay Leyland deal on industrial democracy

BY ROY ROGERS, LABOUR CORRESPONDENT

BRITISH LEYLAND's hopes of sewing up industrial democracy arrangements, so that employees can play their part in discusions before certain "vital" decisions are taken are being frustrated by the motor industry's annual holiday season now well under way.

Management has impressed upon union negotiators that major policy decisions will have to be taken soon and that it would like its proposed joint management councils and committees to be involved in the discussions.

Because of holidays, however, it will be at least another fortnight before the company's conveners gather in Birmingham to consider the final draft of the company's industrial democracy proposals.

The company has already offered to "maximise the areas of agreement" by laying before employee representatives matters generally seen as areas of management prerogative—including investment, new models, planning, sales and marketing plans and financial performance.

But British Leyland has stopped short of the unions' demand that they should be able to veto any plans which are not jointly agreed and says it is not prepared to go outside the terms of the Ryder Report which stressed that management must retain the final executive responsibility.

The company's proposals include joint management councils for the cars and commercial vehicle divisions, together with joint management committees for various complex's

Although complying with the Ryder Committee's principle that there should be no company-wide joint council, management has made it clear that there will be nothing to prevent senior management from being invited to attend meetings of the joint management councils if required.

Shop stewards' fears that the joint committees might be used by the company as a vehicle to promote centralised bargaining, as opposed to plant-live deals, on wages and conditions have been countered by a management undertaking that the councils will not discuss these issues.

Meanwhile, Leyland's holiday period, which began last week for many plants with the remainder starting their shutdown to-day, is also masking the effects of a damaging strike by 800 workers at a Hemel Hempstead component subsidiary which has made 10,000 others idle and halted production of Jaguar and Triumph cars and the new Austin 18-22 series.

The strikers, at Alford and Alder, are seeking immediate increase of £10 a week although their agreement is not due to run out until September.

Boardrooms 'bar women'

OF THE 40,000 directors of more than 10,000 of Britain's leading companies only about 400 are women, according to the 96th edition of the Directory of Directors now available.

In his preface, the editor says, "It seems that the wind of change must develop into a veritable gale before the boardrooms of Britain will fully yield to the flow of fresh air which the ladies are undoubtedly bringing with them.

"Among the most difficult doors to open are, apparently, those of the Boardrooms of the main nationalised industries.

"No feminine influence has yet pentrated the areas of gas, coal, electricity, steel and transport."

But the directory shows that women are among those responsible for decision making across the whole span of British commerce—from banking to hotels—and industry—from pipe making to shipbuilding. Brewers, booksellers, printers, timber marketing, film and TV producing, and effluent control, all have their share of women directors.

APPOINTMENTS

Chairman change at Foster Wheeler

Mr. K. A. De Ghetto has been appointed president and chief executive of Foster Wheeler International Corporation. Mr. De Ghetto will therefore relinquish his post as chairman and managing director of FOSTER WHEELER on August 1, and will be succeeded by Mr. Henry Dudek, who for the past eight years has been president of Société Foster Wheeler Française, Paris.

★

Mr. Garry Pilgrim has been appointed finance director of BPC Business Forms and Thames Paper Supplies. Mr. Pilgrim joined BPC Business Forms last year from another BRITISH PRINTING CORPORATION company, Cross Paperware, where he was secretary.

★

Mr. Denis Thatcher has been elected chairman of CHIPMAN, following his recent appointment to the Board.

★

Mr. A. H. Spurway has relinquished his appointment as advertisement director of the Investors Chronicle on reaching retirement age, and has also retired from the Boards of Throgmorton and Fundex. He is to beome a consultant, with special responsibility for financial advertising, to the Director, the journal of the Institute of Directors.

★

Mr. A. W. Brooke-Smith has been appointed advertisement director of the INVESTORS CHRONICLE in succession to Mr. Spurway, and has also joined the Board of Throgmorton Publications.

★

Mr. Arthur Talbott, previously managing director of Fairey SA in Belgium, has been appointed president of Fairey SA. He succeeds Sir Joseph Hunt, who has relinquished this appointment preparatory to his retirement as chairman of the FAIREY COMPANY later this year. Mr. I. G. Tylee, who continues as a director of Fairey Britten-Norman, becomes directeur général of Fairey SA in succession to Mr. Talbott, and Mr. R. W. Holder has been appointed vice-president.

★

Mr. N. Mountain has joined the Board of FRANCIS SHAW AND CO. as a non-executive director.

★

Mr. D. F. J. Shattock, general manager, export division, H. J. Heinz Company, has been appointed to the European Trade Committee of the BRITISH OVERSEAS TRADE BOARD.

★

Mr. William Hamilton and Mr. Geoffrey Hart have been appointed directors and executives of LANDSPEED.

★

Mr. Peter Kraushar, chairman of Kraushar, Andrews and Eassie, and chairman of the MARKETING SOCIETY for the past two years, and Mr. Alan Wolfe, a director of Ogilvie, Benson and Mather, who has been chairman of its education committee, have been elected Fellows of the Society.

★

Mr. K. R. Innocent has been appointed secretary of WICKMAN WIMET.

★

Mr. S. A. Jozwiak, Mr. R. F. R. Mather and Mr. N. D. Sims have been appointed directors of EGGAR, FORRESTER, shipbrokers.

★

Mr. Bryan Potter has been appointed secretary of the ASSOCIATION OF INSURANCE BROKERS. He had been acting secretary since October last.

Miss V. Di Palma, Mr. R. G. Douglas and Mr. R. A. Pycroft have been appointed members of the AIR TRAVEL RESERVE FUND AGENCY. Miss Di Palma is a taxation consultant. Mr. Douglas is a director of Berry Wiggins and Ferguson Bros. (Port Glasgow), and a former Labour MP for Stirlingshire East and Clackmannan. Mr. Pycroft is chairman and managing director of Jetsave, and chairman of the Advance Booking Charter Operators' Council.

★

The Board of ALLIANZ INTERNATIONAL INSURANCE COMPANY is now as follows: Mr. Eric Korner, chairman, Dr. Hans-Jurgen Schwepcke, deputy chairman, Dr. Wolfgang Schieren, Mr. Horst K. Jannott, Mr. Detlev von der Burg, Mr. Robert I. Sloan, Mr. Julian T. Faber and Mr. H. Edward Gumbel.

★

Professor Benjamin Roberts (Professor of Industrial Relations, London School of Economics), Dr. John Patten (Fellow of Hertford College, Oxford), the Earl of Gowrie, Mr. John Cowen (group managing director, Fraser Ansbacher) and Mr. John Atkins (director, Good Relations Holdings) have been appointed to the Board of GOOD INDUSTRIAL RELATIONS. Mr. Anthony Good has been appointed chairman and Mr. Richard Sermon financial controller and secretary.

★

Mr. T. Halford has been appointed director of public relations of OCCIDENTAL INTERNATIONAL OIL INC., a subsidiary of Occidental Petroleum Corporation with offices in London. He succeeds Mr. Bruce McWilliams who has been transferred to Los Angeles as the Corporation's assistant director of public relations.

★

MMP INSURANCE SERVICES, previously in partnership with Nelson Donkin and Co., is now incorporated as NELSON DONKIN AND CO., insurance brokers. The directors are Mr. T. B. Langton, Mr. V. G. Rae, Mr. A. N. Dodd-Noble, Mr. A. H. Elliott, Mr. R. S. Langton and Mr. B. R. McMahon.

★

Mr. D. R. Long has been appointed production director of UNITED GAS INDUSTRIES subsidiary, Teddington Bellows.

★

Mr. Don J. Wallace has been appointed to the Board of the IPSWICH PORT AUTHORITY.

★

Following the retirement of Mr. Arthur Hopkins, deputy managing director, Mr. B. Coe has been appointed joint managing director of MAJOR ADVERTISING GROUP. Mr. Coe will continue as managing director of Major Public Relations.

Benn urges Left: Sustain and maintain Government

BY LORELIES OLSLAGER

MR. ANTHONY WEDGWOOD BENN, the Secretary of State for Energy, yesterday appealed to Left-wing critics of the Labour Government not work for its destruction.

"We must sustain and maintain that Labour Government . . . there is too much at stake to risk to lose it," he told the annual conference of the Institute for Workers' Control, a movement with which he has become closely identified over the past years.

Mr. Wedgwood Benn came under some fire, mainly from Trotskyists in the movement, for not having resigned from the Government following the introduction of the new pay policy.

Influence within

His reply was that the best thing to do, not only for Ministers but for Labour MPs and ordinary party workers, was to influence Government policies from within the movement and bring about implementation of the policies promised in the 1974 election manifesto "as far as possible."

But in line with his philosophy he stressed that the party itself should develop and propose policies and must not leave everything to the Government.

Mr. Wedgwood Benn defended the Wilson Government's record. The problems the Government had inherited had been "much bigger than foreseen" at the time the manifesto was being drawn up in 1973.

In its first 15 months in office the Government had tried to implement a more radical industrial policy than anything it had done in that field since 1945.

The policy had rightly been aimed mostly at preserving jobs and capacity, stimulating re-equipment and achieving greater public accountability; but it was the Government's plans for disclosure of company information to trade unions and employees that had become the focus of what Mr. Wedgwood Benn called the "counter-attack."

Further attacks had to be expected, designed to enforce cuts in public expenditure and create higher unemployment. The working-class had to strengthen its co-operation and determination if it wanted to deal with the economic crisis and defend democracy.

Earlier during the two-day conference Mrs. Judith Hart, former Minister of Overseas Development, who resigned from the Government after the EEC Referendum, was much more outspoken in her criticism of present economic policies.

'Standards cut'

She expected the new incomes policy to cut workers' living standards by between 8 and 15 per cent. over the next year, she told the conference. As an alternative, she called for a freeze on prices, selective import controls, and a serious examination of opportunities for mobilising the overseas assets of British multinational companies as collateral for British overseas borrowing.

The conference itself, while highly critical of the incomes policy, had already decided not to advocate a break with the Labour Party even before Mr. Benn made his appeal. But in a resolution that was overwhelmingly adopted, the participants also registered their determination to hold the Government to the promises of the election manifesto.

Vandalism claim rejected

By Our Labour Staff

THE FURNITURE, Timber and Allied Trades Union has rejected allegations that the workforce of a Sunderland factory had indulged in "vandalism."

In an official comment on remarks attributed to Mr. H. Poster, chairman of the company which owns the Homeworthy furniture plant, the union said these were nothing but an alibi for management's intention to close the factory.

Mr. Poster has been quoted as saying that workers at the factory were acting "just like animals" and accused them of "vandalism" and "excessive absenteeism."

"The allegations made by Mr. Poster are a complete fabrication and simply an alibi for the intention to close the factory which he has intimated to do on previous occasions.

"The fundamental reason, in our opinion, for the threatened closure is the failure of the management to secure considerably increased productions without the appropriate payments to his employees," the union statement said.

Anonymous gift ends strike

THANKS to an anonymous gift of £70 the eight-week strike at the factory of S. Briggs and Co., Burton-on-Trent, Staffs., is due to end to-day, when about 90 men return to work.

The strike started when 14 boilersmiths were stopped pay for staging a meeting in working hours. The £70 was sent them to make up the day's lost pay by a man who signed himself "Interested Patriot."

Farmworkers to seek full £6 rise next year

BY OUR LABOUR CORRESPONDENT

BRITAIN'S 320,000 farmworkers, who receive £2-a-week increases from to-day, will expect the maximum £6-a-week rises allowed under the Government new anti-inflation pay policy when they negotiate early next year.

This warning came yesterday from Mr. Bert Hazell, president of the National Union of Agricultural and Allied Workers, in a speech at the annual Tolpuddle Rally, attended by Mr. Denis Healey, Chancellor of the Exchequer.

Although declaring that the union would press ahead with its claim for a £40-a-week minimum rate—to-day's increase takes the rate to £30.50—Mr. Hazell went on to stress that his members expected the "maximum permissible" to be conceded by the Agricultural Wages Board which would be failing in its duty to the workers and the economy if it awarded "anything less than the limit reluctantly approved by the TUC."

Farmworkers productivity had increased by 6 per cent. a year for the last decade, but their earnings had slipped behind industry and were now trailing by at least £14 a week.

This argument is supported in a report published to-day by the Low Pay Unit which maintains that farmworkers are now worse off than ten years ago in spite of their new increase. A minimum rate of £31.05 was necessary to restore agricultural workers to their relative position of 1966, it argues.

The unit reminds Mr. Wilson "of his pledge to review the wage structure of agricultural workers . . . one of the largest groups of low-paid workers."

It calls on the Government to set up an independent inquiry and argues that an increase in pay for farmworkers is a key issue in any plan for increasing food production.

Bid to solve dispute at Bootle

Efforts will be made this week to resolve a dispute hampering work on the multi-storey Inland Revenue block site at Bootle, on Merseyside.

The contractor, Sir Alfred McAlpine, has dismissed ten electricians from the site for striking over a demand for the reinstatement of a colleague, dismissed two months ago for alleged industrial misconduct.

No new labour has been engaged, however, and officials of the Electrical and Plumbing Trades Union are still endeavouring to seek a compromise which would enable work to be restarted. Meanwhile, construction work on the building, now three and a half years behind schedule, largely because of industrial action, continues but with no electricity on the site.

Non-TUC unions call

THE CONFEDERATION of Employee Organisations, which claims to represent about 70,000 workers, mostly in banking and insurance, has urged the Government to allocate a seat on the Common Market Economic and Social Committee to a representative of non-TUC unions.

In a letter to Mr. Michael Foot, Secretary for Employment, the confederation says it "most strongly objects to the TUC monopoly of consultation about membership" of the committee

INVESTMENT TRUST COMPANIES

The following is an amendment to the table published on 18th July, in which the figure in column 8 was incorrectly printed.

Total Assets *less current liabilities* (1) *£million*	Company (2)	Shares or Stock (3)	Date of Valuation (4)	Annual Dividend (5)	Net Asset Value *after deducting prior charges* *at nominal value* (6)	Net Asset Value *after deducting prior charges* *at market value* (7)	Investment Currency Premium (see note g) (8)
	VALUATION MONTHLY			Pence except where £ stated (see note d)			
	Henderson Administration Ltd.						
102.9	Witan Investment	Ord. & "B" Ord. 25p	30/6/75	*1.5	x89.8	100.0	24.7

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BSC hit by ending of Cashmores Glynwed pact

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE BRITISH STEEL Corporation's stainless steel business, already deep in recession, has suffered another blow.

Cashmores Glynwed, one of Britain's two largest stainless steel stockholders, *has given up* its special relationship with the Corporation, and in doing so has probably cost the BSC sales of at least 5,000 tonnes of stainless steel sheet.

Cashmores has been one of the Corporation's six "aligned" (or approved) stainless steel stockholders.

Under this scheme, started towards the end of 1973, the six stockholders agreed to take at least 80 per cent. of their stainless steel requirements from BSC and *to shop* elsewhere for 20 per cent. In return the Corporation gave special terms.

Cashmores' contract ran out in April. Since then negotiations have *gone on about its possible* renewal. Indications are that Cashmores' main aim was to change the terms of the arrangement so that it would guarantee to take nearer 50 *per cent. of its* needs from the Corporation, rather than 80 per cent. In the end agreement just could not be reached.

Apparently *it was not the fact* that prices have come down in the recession which influenced Cashmores. Replacements to the BSC supply will cost just as much. It was more a question of reliability of delivery, availability and quality. In the boom period of 1974 the BSC was unable to cope with the market demand for stainless steel.

Cashmores is probably more interested in guaranteed, long-term supplies than in short-term price cuts.

And as one of the major stainless stockholders it is less in need of the protection the BSC "alignment" scheme offered.

As this is all taking place in a thoroughly disturbed market where demand is still falling and price-cutting the order of the day through what are euphemistically described as "discount schemes," there is a possibility that the alignment scheme may break up.

The Corporation could look for one or more stainless stockholders to fill the gap left by Cashmores, *or it could turn to* the remaining five, perhaps with a request to step up their levels of guaranteed offtake of steel.

The other stockholders are Brown and Tawse; Metal Centres (an Alcan subsidiary); Miles Druce (now part of GKN Steelstock); Alfred Simpson; and C. Walker.

Ninian group urged to decide soon on third oil platform

BY RAY DAFTER

THE GOVERNMENT, becoming increasingly anxious about the state of the off-shore platform construction programme, has urged the operators of the big Ninian field to make an early decision about their third platform.

Chevron Petroleum (U.K.), as operator of the field, has been asked to take a decision by the end of September so that, if required, the platform can quickly take up the slack in spare construction capacity.

The Government's request comes at a time when there is some debate on the reserves and flow potential of the field which a stockbrokers' report has suggested should be revised downwards. This week-end has also seen the return of the £35m. Viking Piper semi-submersible *barge which was working on the* line to Shetland harbour because of problems with equipment.

The barge is expected to be sheltered outside Lerwick for 10 days while repairs and inspection of her positioning gear are carried out. But BP, who are acting as operators for laying the pipeline on behalf of the consortium, said yesterday that they did not expect any major delay in development of the field—due to come into production in 1978—as result of the problems aboard the barge. Much could depend, however, on how long the repairs take and whether the barge can get back to work quickly during favourable summer conditions.

The Ninian group of companies is so far committed to installing two platforms as part of a capital expenditure programme totalling over \$2bn. A report on the field in the past few days suggests that the total bill would be nearer \$3bn. if a third platform was *installed.*

Some of the interested companies believe that two platforms can cope, together with the installation of sub-sea well heads for water injection.

A decision has been delayed until further tests are made on the reserves and flow potential of the field. Last week stockbrokers Wood, Mackenzie reported that reserves were likely to be smaller than originally anticipated: at 1bn. barrels rather than the 1.2bn. favoured by the oil companies at present and the 1.7bn. estimate supported by BP among others early this year.

The falling demand for platforms is causing the Government some concern about employment prospects at the construction sites. Mr. Anthony Wedgwood Benn, Energy Secretary, is expected to urge oil companies to advance their requirements for production platforms so that the dispersal of skilled labour teams can be avoided.

He has said that it is critical that Britain should not lose its capability to build platforms, thus encouraging orders to go overseas.

EEC gives £1.4m. more for training

THE EUROPEAN Commission has approved the second 1975 allocation of grants from the European Social Fund, which pays 50 per cent. of the cost of approved retraining and resettlement schemes for unemployed people.

Of the total Community allocation of £18m., £1.43m. goes to the U.K. and will be used to benefit 7,511 people.

The bulk of this latest allocation goes to Italian training schemes. In 1973 the U.K. benefited from grants totalling £23.9m. and in 1974 £25.8m. was received. The first allocation to the U.K. this year was £4.4m. and the European Communities Commission says that it is expected that by the end of 1975 total U.K. aid will match that of previous years.

Of the latest £1.43m. allocation, £1.04m. goes to help finance a scheme to prepare for regular employment for 1,781 young people.

Last Thursday Mr. Michael Foot, Secretary for Employment, approved proposals by the Chemical and Allied Products Industry Training Board for a levy on employers equal to 0.75 per cent. of their payroll in the year to April 5, 1975. Each employer's total payroll is to be reduced by £115,000 before assessment: an employer whose payroll was less than £115,133 will be exempt from levy.

Employers will be awarded an offset to the levy for training which meets the standard and conditions laid down by the Board. Those meeting all the requirements will be exempt from levy.

Neddy plan to boost process plant exports

BY RAY DAFTER

IN A BID to boost overseas sales of process plant equipment, the National Economic Development Office has asked the Government to revise its new inflation insurance scheme for major export contracts.

The scheme was introduced in February to protect companies from the impact of cost escalation and to enable them to compete more effectively with overseas manufacturers.

The Export Credit Guarantee Department said that approval had already been given to schemes involving export projects worth about £1bn. although not all of these contracts had *been awarded. Inquiries covering* a further £1bn. worth of exports were under consideration.

Process plant manufacturers and engineering contractors have protested that the scheme gave only partial cover against excessive inflation and did not provide adequate protection.

The British Chemical Engineering Contractors Association said at the weekend that none of its members had yet used the scheme. Consequently, they were losing valuable business to overseas contractors—like the French *—who were covered by more* effective inflation proofing.

The BCECA's members include, for instance, John Brown, Power-Gas, Woodall-Duckham and Humphreys and Glasgow—the sort of companies involved in large projects with long construction periods for whom the U.K. insurance scheme is designed.

Orders up

Sir Frederick Warner, chairman of NEDO's process plant "Little Neddy," has written to the Export Credit Guarantee Department asking for the scheme to be made more attractive so that companies can quote contract prices with greater confidence.

The importance to the process plant industry and contractors of more export orders is highlighted in the latest NEDO report on the industry, published to-day. Although orders are now at a high level, there is expected to be a substantial drop in demand from 1976 or 1977, leaving spare *capacity available for more export contracts.*

Capital expenditure by the process industries in the U.K. is expected to total £8.6bn. in the three years to 1977. North Sea oil production development should account for 40 per cent. of this total.

It is expected that expenditure on process plant itself this year should amount to £1.1bn., falling to £1.03bn. next year and £882m. in 1977. Figures from the important chemical industry are not available for subsequent years, but even assuming they remain at the present high average, *overall expenditure on process* plant could fall by a third between this year and 1979.

Investments

The report says that the decline in orders will reflect the drop in North Sea oil activity in later years. But as the figures took no account of expenditure on *fields yet undiscovered,* nor the probable carry-over of some projects, the long-term estimates might be too pessimistic.

Provided the chemical industry maintained investment at least equivalent to the present average (£229m. a year between 1974 and 1977) it was unlikely that process plant business would fall to the low levels of 1972 and 1973.

Apart from the North Sea operations, other factors influencing the investment trends are the effects of inflation and the *reduction in the level of energy* consumption. The drive for conservation had had a direct effect on plans for investment in oil refining and electricity generation.

Turning to overseas markets, the report points out that \$400bn. will probably be spent on finding and developing adequate supplies of oil throughout the world *between 1970* and 1985.

An additional \$370bn. would be required for refineries, processing facilities, tankers, pipelines and *distribution* systems. These figures were at constant 1970 prices so that with inflation they may turn out to be twice the amounts in actual terms.

"*Although the important* U.S. market may not be readily accessible, other areas throughout the world will undoubtedly provide more favourable opportunities," the report adds.

Process Industries Investment Forecasts; NEDO, Millbank, London SW1P 4QX; £1.

Number of jobless expected to rise

BY MICHAEL BLANDEN

UNEMPLOYMENT, probably the most sensitive issue facing the Government against the background of its anti-inflation policy, could show a further jump this week.

The seasonal impact of school leavers and students joining the register could push the crude figure of all U.K. unemployed for mid-July, due to be published on Thursday, near to the 1m. mark.

Last month's figures were the worst for June since the war, and new official forecasts have suggested that the trend could rise to a seasonally-adjusted *level of around 1¼m. for* Great Britain wholly unemployed during the course of next year.

Other important figures due this week include the end-June statistics of basic wage rates and the May average earnings index, out to-day, together with the June provisional retail trade figure.

In May there was a sharp drop in retail sales after the previous month's Budget spending spree. But taken together the two months were *running at about the same level* as in the first quarter, and this will be reflected in the first estimate of consumers' expenditure for the second quarter due on Wednesday.

Better-off go for new savings scheme

BY CHRISTOPHER HILL

The new National Savings index-linked retirement certificate attracted sales of £65m. in *the 4 weeks to the end of June* 28, helping to take net new savings up to £34.8m. But it seems that it is the better-off among the elderly rather than the poorer pensioners, at whom the scheme was aimed, who have so far shown the most enthusiasm in taking the scheme up.

According to the Department of National Savings, whose latest figures are published this morning, over half the first month's money taken into the scheme—which offers interest linked to the price index—has come from people *taking out the £500* maximum and much of the rest has also been in large amounts.

The Department believes as a result that it is so far mainly the sophisticated pensioner with plenty of money and possibly acting with financial advice who has taken advantage of the scheme. The Department is nevertheless expecting this will change as the scheme becomes more widely known and accepted. A spokesman pointed out that the elderly tended to be cautious with their money and that many at this stage were probably not aware of the benefits.

After undistributed interest of £25.3m., had been added, total new savings *for the* month reached £60.1m. These are the best provisional figures since last March and compare favourably with those of June *last year. Then undistributed* interest was barely sufficient to cover net withdrawals.

But if the receipts from index-linked certificates are left out, the figures *would be looking* distinctly poorer in June, which otherwise seems to have been a flat month for National Savings.

Apart from the large inflow from the index-linked certificates, there seems to have been a higher level of redemptions for other savings certificates in June compared with May. The National Savings Bank ordinary accounts and the Trustee Savings Banks ordinary department also appear to have suffered.

Next month's figures from National Savings should include the results of the index-linked Save-as-you-Earn plan which was launched on July 1.

NATIONAL SAVINGS

—	Mar.-Jun 1975/6 R'cpts	Mar.-Jun 1975/6 Re-payments	1974/75 March-June R'cpts	1974/75 March-June Re-payments
	£m.	£m.	£m.	£m.
Savings Certs.	152.5	112.6	58.8	89.7
Save as you Earn:				
Dpt. Nat. S.	4.8	6.0	7.3	1.5
T. S. Banks	6.0	2.8	5.6	0.9
Total SAYE	6.8	5.7	8.6	1.6
Br. Nat. B'nds	55.8	36.0c	10.4	51.0c
Premium B'ds	35.9	18.6	22.4	18.9
Nat. S. Banks:				
Ord. accs.	134.8	156.5	127.3	154.0
Inv. accs.	26.9	27.7	25.6	29.6
Trustee B'nks:				
Ord. Dept.	781.0	788.4	661.1	640.3
Sp. Inv. Dp.	171.1	160.8	122.2	153.4
Current accs.	215.5	206.0	114.6	100.5
Total	1,560.7	1,611.3c	1,164.7	1,248.8c
Net Savings	+ 49.4		— 84.1	
Est. Acc'd Int.	114.4	—	106.8	—
Sav'gs Certs.	—	36.3	—	31.0
Savings Bank Acc'ts, SAYE	—	1.4	—	0.1
Total	1,675.1	1,548.0c	1,271.5	1,279.9c
Ch'nge in sum remaining invested	+ 127.1		— 8.4	

'Power transfer acts as spur'

INCREASING pressures on governments and trade unions to act together as a British interest group within the EEC structure because of the transfer of economic policy decisions to Brussels, is forecast in a Bow Group pamphlet published to-day.

Professor Gerald Dorfman of Iowa State University, in the U.S., notes that successive Governments' commitment to full employment since the war has meant that they have had to seek a high degree of co-operation from the producing groups in the economy and that "trade unions, in particular, have become so powerful because full employment gave them crucial influence in determining the terms of British trade."

New French-built Chrysler for U.K. market in the autumn

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

The new Chrysler Alpine.

CHRYSLER'S new French-built car, news of which created a furore among the company's *British unions earlier in* the year, will be a 1300 cc to 1450 cc front-wheel drive, five-door saloon. It will go on sale in France at Paris Motor Show in October and *will be introduced* to the U.K. and other European markets before the end of the year.

The row over the new car blew up *following the suggestion that* Chrysler's British activities would be gradually relegated to assembly work for Simca, the U.S.-based group's French subsidiary. Although Simca lost about £7m. last year, Chrysler U.K. lost £17m. and has a much less healthy record: hence fears that development work, leading to new British-made models, would stop in the U.K.

These fears were to some extent allayed when Chrysler announced, in an apparent reversal of its model policy, that it was planning to introduce a new British-built product—and that it might seek Government loans to assist its development.

In the meantime, with the development of new models taking at least two years, Chrysler needs new products to halt its dramatic sales decline. With 7.3 per cent. of the British market in the first six months of this year, the company is only one per cent. ahead of Datsun, the leading importer.

In this context, interest in the new Simca, to be called the Chrysler Alpine in the U.K. (the current Alpine has minimal sales and will be discontinued) lies in the fact that it slots into the same market sector as the 1300 cc. to 1600 cc. Avenger. The Avenger is only five years old and is Chrysler U.K.'s biggest volume car. The question is whether the Alpine will take *sales away from the older model.*

At the same time, the Alpine does not answer Chrysler's clear need for a really popular small car: the 900 cc. Imp, in spite of a resurgence in 1974, has had a poor year so far and badly needs a face-lift.

Although Chrysler has not gone so far down the road to European integration as Ford, or even Vauxhall, the Alpine will be the second car to have been *styled* at Whitley, Coventry, and made in France, using French development and production engineering.

The previous such model, the Chrysler 180, has made little impact in the U.K., but it did *not, like the new Alpine,* take advantage of Simca's experience of front-wheel drive, transverse engine design.

Fiat changing its British dealership system

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

FIAT IS TO abandon its two-tier car distribution system in the U.K. The move brings it into line with the method *pioneered by Volkswagen in* 1968 — it is the last major importer to do so — and is designed to double its market penetration.

Although Fiat claims that the decision has met with overall approval from its distributors and dealers, the Motor Agents Association is already taking up questions of fair compensation and consultation with Fiat.

Major reorganisations of dealer-networks in the past have led to bitter recriminations, and the MAA, the representative body for the motor trade, has since drawn up a "white paper" outlining its policies on importer franchise agreements.

This broadly suggests conditions for adequate prior consultation before changes are made in agreements, and sets out its views on compensation.

Although there are suggestions that some 30 dealers will be leaving the network, Fiat says there is no question of any distributors or dealers being sacked and none has yet said it is withdrawing. The intention is to increase the overall number of outlets from 350 to 400.

Behind the decision is Fiat's determination to increase its *sales in Britain. Despite its position,* alongside Renault, as one of the two largest selling car manufacturers in Europe, it only comes number four in the British importers' league table, behind Datsun, Renault and Volkswagen.

Its market share in the first half of this year was 3.0 per cent., down by 0.4 per cent. on the same period last year, and about half the figure it achieves in other European markets. Other major importers have all seen their share rise this year.

More Home News on Page 20

Virtually every importer in the U.K. now has, or is introducing, a single-tier system of car distribution. The advantage of this method lies in the directness of contact it brings between the main franchise holder (in this case Fiat (England), which is wholly owned by the parent company) and the retail outlet which sells the cars.

Under the reorganisation, Fiat distributors will lose about 4 per cent. of their discount on cars, dropping down to the 17.5 per cent. which dealers get. On the other hand, some distributors will retain control of parts distribution.

Fiat is also discussing new targets and incentives for the dealers. These may lead to agreements much more on the Continental pattern, in which a good proportion of a dealer's profits can come from bonuses tied directly to performance.

As Fiat converts its network, with a target date for completion in January next year, only British Leyland remains with a large two-tier system.

The future of BL's organisation is now the subject of intense discussion between the company and dealer organisations, although a new co-ordinated sales organisation has already been created in BL's car division, bringing together the Austin-Morris, Rover-Triumph, and Jaguar-Daimler sales teams, which formerly operated separately.

This team has just finished touring the country for a major series of discussions with distributors and dealers.

● British Leyland is expected to complete the sale of its Authi subsidiary in Spain soon. Authi was placed in liquidation earlier this year after BL failed to conclude its sale to General Motors, which had agreed to pay £27m. for it. Since then, BL has been negotiating with other Spanish car manufacturers, and is on the point of reaching agreement with SEAT, the Spanish affiliate of Fiat.

The Executive's World : The Office EDITED BY JAMES ENSOR

Bring the conference to your desk

BY CHRISTOPHER LORENZ

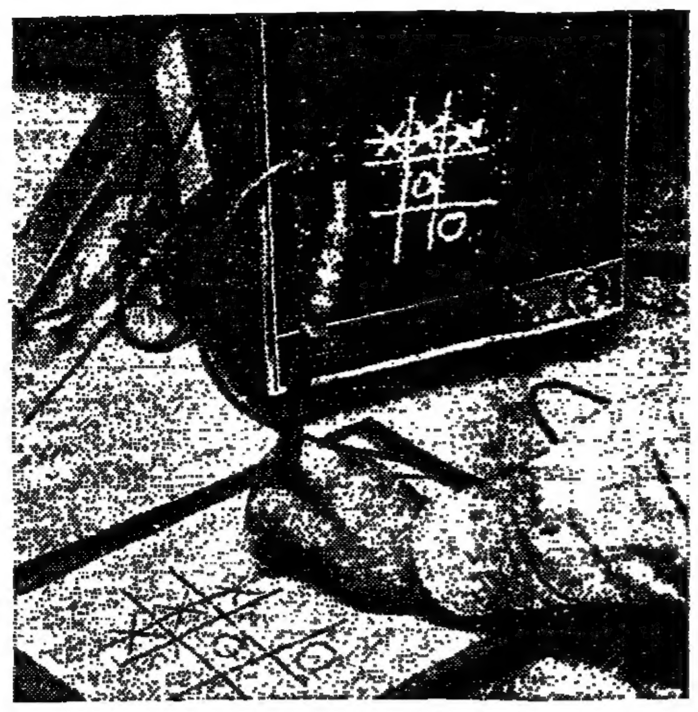
IT MIGHT seem perverse to promote greater use of the telephone just when the average business has been told by the Post Office that its bill will virtually double in the space of six months without a single extra call being made. But transport costs are also soaring, and with many companies becoming keen on improving internal communication, there ought to be considerable scope for extending the use of telephone conferencing. A seminar in London on Friday was told by speakers from the Communications Studies Group, sound-only systems "are always cheaper than the alternative face-to-face meetings."

If there is such a potential for saving conference participant's time, effort and money in travelling miles to a face-to-face meeting, why is teleconferencing still in its infancy? Apart from the wish of many businessmen and even some civil servants to have a night on the town, far away from home (a barrier which is taken for granted in the communications industry), the answer is mainly a mixture of weightier psychological attitudes, technical problems, lack of marketing flair on the part of the Post Office and many of its overseas counterparts, and insufficient past attention by companies to their internal communications needs.

Experience of how the limited PO services can be put to extensive and successful use was presented by the Open University (which organised the seminar), but ICI explained why it had to abandon all but one of the PO's public network systems in favour of equipment of its own design for use on private leased circuits. The psychological and travel-replacement aspects of teleconferencing were underlined in a paper by Quebec University, which uses it for administrative rather than teaching work.

A "plethora" of sound-only (audio) teleconferencing systems have been developed, Messrs. Barry Stapley and Ederyn Williams from the Communications Studies Group (CSG) said in their paper on the international scene. Of the three types, conference call systems (linking a number of people, each on their own handset telephone) were available in several countries, but had not been actively marketed anywhere, due in part to technical problems. Development of more satisfactory conference "bridges" (between more than two telephone lines), including ones where users could organise the bridge themselves in place of the public operator, was under way.

The second group, loudspeaking telephones, can be used in conjunction with conference bridges, though Mr. Ben Turok of the Open University cautioned that the British P.O. generally asserted that number 4 of their product range (LST4)—the one loudspeakerphone which ICI has not abandoned—was unsuitable for conferencing. The third category of systems are custom-built, such as the Remote Meeting Table developed by CSG itself in the U.K. and a Canadian Department of Communications system. Some have such facilities as speaker identification or "wish-to-speak" lights.



Noughts and crosses played on Open University's new Datapad.

But all these systems have their disadvantages, the CSG speakers stressed. Conference calls require much input of manpower (engineers and operators) and can only accommodate groups of up to eight. Multi-point calls also require at least 24 hours notice in the U.K. and Canada, for example. Loudspeaking telephones all fail to give good quality sound, according to CSG, "and on occasions can prove to be almost unusable for conferences."

Mr. David Gabbitas, head of ICI's Telecommunications Unit, was even more critical, saying that ICI's Confraphone experiment was abandoned partly because of the very high noise level through old Strowger exchanges and the large number of crossed lines. Like the need to give over a day's notice for multi-point calls, some of these problems should begin to disappear once the PO instals large numbers of new electronic exchanges—though this is some years away.

Whereas ICI had the option of concentrating on private line services for its in-house communications once it found the P.O.'s public network equipment unsatisfactory, the Open University was in a very different position, and had to make the best use of the public system. The OU has 48,900 students scattered all over Britain, many of whom find it difficult to take part in the programme of face-to-face tuition, so it is looking for alternative means of communication. The OU has a major project, claimed to be unique in the world, linking 171 students in 25 groups, each with a tutor, over the P.O.'s "Faraday" multi-point conferencing facility. It forms part of a growing OU teleconference network using different types of equipment, some on private lines.

Mr. Turok hit on one of the most controversial questions about non-visual conferencing when he said "the lack of a visual component is a serious deficiency." In the OU's case a solution may be in sight with a new "datapad" designed by its engineers using a normal TV set.

The PO Marketing Department's belief that the market for non-visual conferencing is limited is one of the reasons for its lack of aggressive promotion of audio systems. But there is a weight of evidence suggesting a large untapped market for audio systems in the business and government world. A U.K. civil service survey carried out for the Hardman Report on dispersal suggested that 30 per cent. or more of face-to-face meetings could be replaced by a sound-only system, compared with only 20 per cent. for Confravision.

Both would have to be flanked by some sort of document transmission service (such as facsimile) in many cases, but this is not to say that an instantaneous visual connection would be needed.

Apart from technology, a crucial factor in all this is the all-too-easily disregarded question of psychology. Initial resistance to audio-conferencing can be overcome, as the Open University's experience has shown.

The OU now also plans to use teleconferencing on its administrative side, a step already taken successfully by the University of Quebec, whose twenty centres are located in eight cities spread over a territory 800 miles long. A paper by Mr. John S. Daniel from Quebec summed up the psychological implications thus:

"Users agree that teleconferences are shorter, more formal, more businesslike and more tiring than conventional meetings . . . Each participant expresses his opinion succinctly (in turn) and there is little tendency for two people to speak at once or to engage in digressions and sub-group discussions."

Visual cues can obviously be crucial in group discussions, especially when a participant is trying to time a controversial suggestion for which he wants to gain support from his colleagues. For educational use, Mr. Turok said the Open University had observed that the strictures of psychologists about the inadequacy of telephone conferencing in "bargaining" situations were not entirely justified. Whether this would be true in the business world is another question.

What about the impact on travel? Mr. Gabbitas said that ICI had tried not to stress the cost-savings argument, instead emphasising the value of more regular interaction between remote groups of people in the company — "although we hope that in addition, there will be some travel cost savings." So would such a system increase the number of meetings without reducing travel, asked Mr. Daniel, quoting some companies which—unlike ICI—fear such a result? It was significant that nearly 90 per cent. of University of Quebec users claimed that teleconferencing reduced their travel, he said. A smaller proportion (75 per cent.) held that it promoted wider consultation before decisions were taken, although two-thirds of those surveyed said it still speeded up the decision-making process.

Last week the five-month sit-in at Imperial Typewriter ended following the Government's refusal to rescue the factory at Hull. But, as ROY LEVINE discusses, the 64-year old company has its third owner who declares that

Imperial lives on

LAST WEEK a new range of Imperial portable typewriters and calculators were launched, together with the comment by a director Mr. Jim Davies: "We are shouting from the roof tops that the name 'Imperial' is not dead."

This exercise in public relations followed the news that the Government would not put any money into reviving the factories at Leicester and Hull, closed by the American parent Litton Industries earlier this year with 3,000 redundancies.

The Americans have almost completed their withdrawal from the U.K. (one building remains to be sold and the plants auctioned), having sold the 'Imperial' name, marketing organisation and stocks of typewriters to Office and Electronic Machines (OEM), a public company, for just over £1m.

OEM was started by its chairman and managing director, Mr. Erich Markus, shortly after the war, and it has grown into one of the country's largest wholesalers of office equipment, supplying over 1,200 retail dealers. Its most successful agency has been the Adler typewriter.

Unlike Imperial, which failed to produce a good electric typewriter even under American management, Adler produced one of the best just at the right time to meet the swing away from manuals. Combined with the hard sell from Mr. Markus, the brand has captured about 25 per cent. of the U.K. market.

Imports

Now OEM is faced with selling competitive products under the Imperial name and made, not in the U.K., but in Germany and other countries by Triumph-Adler (a subsidiary of Litton). Before the plant closures and sell-out by Litton of its U.K. subsidiary, about 40 per cent. of the products it sold in this country were actually made here. Now, except for a few office supplies bought from U.K. producers, all its merchandise will be imported.

There will be more up-to-date electrics and manuals made in Germany, portables made in a variety of countries from Portugal to Bulgaria, copiers and calculators made under licence in Japan.

OEM has formed a new company, Imperial Business Equipment, to market these products. "There are well over 1½m. Imperial typewriters around Britain," says Mr. George Bradshaw, the newly appointed managing director who has been with the company since 1934. "We still intend to service them through the existing agency network of 44 companies controlling over 100 outlets. Also, the marketing of our product range continues."

Mr. Bradshaw attributes the failure of Imperial to several factors. The first was over-reliance on British Government contracts which were not profitable enough to support the company. Then there were the failures to invest in research and development or expand production of office manuals after the war and so capitalise on its virtual monopoly in the market. "The owners understandably wanted to recoup some of the heavy losses (over £½m.) made before the introduction of the successful Imperial 50 model in 1926," he recalls. Meanwhile, companies like Olympia and Adler brought machines on to the market, thus eroding Imperial's market share which fell to about 30 per cent.

Portables

When management did finally spend money building a factory in Hull, it concentrated on portables. This is not as profitable a market as electrics.

Although Imperial maintained its profitability, it had failed to keep up with the market. "The writing was on the wall and in 1966 support was sought from the Government and some of the large Industrial firms. But no-one was interested in investing in typewriter production—following the closures of Oliver, and others, IBM withdrew and moved its factories to Germany and Holland."

The news that Imperial was up for sale carried across the Atlantic and Litton made a bid for around £4m. After examining the company it brought the price down by £½m., remembers Mr. Bradshaw.

Litton switched marketing from traditional outlets like Commonwealth countries to the U.S. and its own far-flung empire. But its real failure was again in electrics. Imperial could only manage to capture less than 10 per cent. of the fast developing electrics market. Losses of over £4m. were incurred and after a 14-week strike at Leicester, the Americans decided to quit.

The Leicester factory has been closed without too much fuss. And about two-thirds of the 1,800 workforce has found alternative employment.

But at Hull, where unemployment is much higher, especially among the large Asian community, a workers' sit-in was organised not only as a protest but also as an interim measure while financial support was sought in the U.S.

After a study by consultant Urwick Orr the Government refused to back the venture. The workers failed to get help in the U.S. So, before the writ brought by Litton was heard in the High Court on Friday, the workers withdrew.

Meanwhile, OEM is fighting bravely to promote the Imperial name and has employed a public relations firm to help remove the stain. Imperial's market share has fallen further since the turbulent events started in February, but management is hopeful that it can stop the bleeding, even in the face of a depressed typewriter market.

In a weak market OEM's turnover has dropped by about 15 per cent. and Imperial's by double that, caused partly by the falling pound and hence more expensive imports. By year-end, however, management hopes to see some recovery. OEM's turnover in 1974 was £9.3m. The combined turnover this year could reach around £12m. and a fair guess is that Imperial will contribute roughly a quarter.

Future

But the future of Imperial depends first on whether Triumph-Adler can produce a better electric and then whether it can follow that up with a competitive editing typewriter, for that is where the future lies as surely as electrics have replaced manuals.

Adler is still test-marketing its TASA 600S word processing system designed by Royal in Hartford, Connecticut. Selling at £5,000, that machine is at the expensive end of the market. So perhaps it needs to produce a cheaper model under the Imperial banner.

The first step in that direction is the news that the new single element typewriters which will be launched in the autumn will carry both the Adler and Imperial brands. It remains to be seen whether there is a market for both.

Croydon comes of age

BY ROY LEVINE

"THOSE presently enjoying low rents or medium rents may have a rude awakening in the not too distant future." This was the central message from Mr. Anthony Prendergast, chairman of the Location of Offices Bureau, at last week's press conference to release the results for the year to March 31.

"The deep troughs of economic depression have usually given way to strong upsurges as the medicine takes effect," he said. Mr. Prendergast foresees an inflation in office rents due to high building costs and uncertainty of new construction. As we know, the Government's new "Social Contract" does not include any restraint on rents.

Management could do worse than contemplate his warning. Already there are areas where office rents have soared, thus narrowing the differential gap between central London and the suburbs.

Nowhere is this more true than in Croydon which opened up as a new Borough over 12 years ago to help alleviate the congestion problems in central London. The main incentives for offices to relocate there were the lower rents and staff salaries. Today, the differentials have narrowed so much that some firms are looking for cheaper pastures after only a brief stay in Croydon.

Mr. E. J. Sturgess, a director of the LOB, remembers a time before the imposition of office building permits by Lord George Brown at the end of 1963, when office space could be rented for as low as 75p per square foot. Rents in central London at that time were between £1.75 and £2.50 per square foot.

Yet to-day, after several reviews following the lifting of the freeze, rents in Croydon are in the region of £7-£8 per square foot. Against that, space is available in central London at between £8 to £18 per square foot.

At the same time staff salaries in Croydon have soared, reducing the differential to almost nil. An examination of "Office Salaries Analysis 1975" by the Institute of Administrative Management shows that median salaries in South and South West London are only 3 per cent. below the levels for the West End and the City.

Decisions are not easy. Firms are caught between the dilemma of whether to move and save overheads or spend scarce capital resources in relocating. Widespread deferment of relocation plans is obvious from the fact that one in every five "decisions not to move" monitored by the LOB since its inception in 1963 were taken in its last financial year.

Obviously, in such a situation office planning consultants are having a busy time. But even the savings they can make through more efficient use of space are not enough in some cases. The move out of Croydon is beginning to accelerate.

One consultant who has been busy in the area is Mrs. Aubrey Jones of Organised Office Designs.

For two of her clients in the area the hike in rents could mean that accommodation overheads will more than double overnight. One company with about 400 people rents 60,000 square feet on five floors and is facing a rise in rents from £1.33 per square foot to £7. With rates at £102,000, service charge at £27,000 and cleaning at £8,000 the cost per head of office accommodation will be increased from £542 to £1,392. This company has failed to sub-let a portion of its space and is considering leaving that part vacant on the argument that if rents cannot be saved, rates, at least, can.

In its recent Croydon survey Organised Office Designs showed that two-thirds of the 39 buildings surveyed were less than ten years old.

It is partly the negative planning policies in the area which have aggravated pressures and so pushed rents up. Office Development Permits are rarely given in Croydon and few new buildings are going up in the area.

Curiously it is the very success of the Croydon experiment that is reflected in the tight market to-day. According to the Location of Offices Bureau, other similar experiments should be undertaken to the North, East and West of London. But provided communication is efficient.

Alternatively, firms can move further afield. The LOB reports a rising trend of firms that move more than 80 miles outside of central London. "Even greater rewards lie ahead for those who are able to go to the Areas for Expansion where grant aid is available," concludes Mr. Prendergast.

مكتب الأهرام

OVERSEAS NEWS

Heavy fighting in Luanda after MPLA attack on fort

LUANDA, July 20.

HEAVY FIGHTING broke out to-day around a 16th century fort in which about 600 troops of the Zaire-based National Front for the Liberation of Angola (FNLA) are holding out.

The Marxist Popular Movement for the Liberation of Angola (MPLA) appeared to have launched a major attack to take the fort which is only four miles from the centre of the Angolan capital.

Standing at the entrance of Luanda Harbour, the fort had been under siege since Thursday. There were fears that mortar fire would hit a nearby oil refinery, endangering factories and an African township adjoining it.

The heavy fighting erupted despite a ceasefire ordered by Angola's National Defence Council on which the liberation movements are represented.

The Defence Council announced last night that it had issued the ceasefire order by a *majority vote.*

The FNLA and the MPLA had been due to issue orders this morning for the withdrawal of their forces in Luanda which are above the numbers permitted by an agreement concluded in January.

The conditions imposed by the Defence Council were that the FNLA, defeated in recent fighting, would withdraw its forces first, followed by the MPLA.

The troop withdrawals were to be carried out under the supervision of the Luanda operational command headed by Portuguese Colonel Heitor Almendra.

Fighting between the two liberation movements has been going on for the last 10 days and more than 300 people are estimated to have been killed.

The senior FNLA Minister in Luanda, Sr. Ngola Kabanku, acting co-Premier and Interior Minister, told a Press conference last night that efforts at reconciliation were still being made, and that there were hopes of reaching agreement. He also accused the Portuguese military authorities of having aided the MPLA.

"Force will be met with force," said Sr. Kabanku, who made no comment on the FNLA's future plans or about a column of FNLA troops rumoured to be on its way to the city.

A senior Western diplomat *this morning referred to these* forces as a "phantom column."

Last night and early this morning there were sounds of shooting again in the city's suburbs, presumably by security forces firing on curfew-breakers or looters.

Apart from forces holding out at the fort of São Pedro da Barra, there are also FNLA troops holding positions in Luanda's Cazenga slum area and near the "Lagostas" lighthouse beyond the city's northern limits.

Reuter

Rhodesia guerilla threat

BY DELLA DENMAN

DAR ES SALAAM, July 20.

RHODESIA'S AFRICAN National Council (ANC) has agreed to give Prime Minister Ian Smith until October to attend a constitutional conference to negotiate a transfer to African majority rule or it will revert to guerilla war.

ANC chairman, Bishop Abel Muzorewa, set forth the timetable in an interview published in a Tanzanian Government newspaper to-day and also emphasised that any conference must be held outside Rhodesia.

The Bishop said the meeting of the ANC's 30-man central committee in Dar es Salaam earlier this month agreed that Pretoria was an acceptable site for the talks and offered to meet *the Rhodesian Government* leader at any time.

"If the conference does not take place in three months we will know that this is Smith's own way of refusing," he said.

Bishop Muzorewa's statement was the hardest public confirmation so far that the ANC leaders had decided an armed struggle *was the only way to achieve* majority rule from Mr. Smith.

The October deadline marks the traditional start of offensive operations waged in the past by the former ZANU and ZAPU *guerillas in North and North-East* Rhodesia. Seasonal rains begin then which enable the guerillas to roam more easily across the country. The former rival armies have been linked under a *single command* structure within the ANC following the unity pact agreed in Lusaka, Zambia, last December.

John Worrall adds from Nairobi: Delegates at the Organisation of African Unity (OAU) Foreign Ministers' conference at Kampala, Uganda, voted on Saturday for the first time to debate "the international status of South Africa."

This is a sharp indication that the African propaganda war against South Africa is being intensified.

Uganda's Minister of State for Foreign Affairs, Mr. Paul Etiang, *got the item put on the 41-point* agenda for the OAU summit which begins at the end of the month. Mr. Peter Onu, Assistant Secretary-General of the OAU, said the move questioned whether South Africa was an illegal colony or an independent republic.

Beame confirms NY cuts threat

BY JAY PALMER

NEW YORK, July 20.

DESPITE THREATS that he might be breaking the law, New York City Mayor Abraham Beame admitted this week-end that he is seriously considering an immediate wage freeze, salary cuts and still further city employee lay-offs as part of an emergency economic package designed to restore investor confidence in the city's borrowings.

Talks were reported continuing this morning between the Mayor's staff and officials of the Municipal Assistance Corporation, the new state agency created to raise funds for the city, in an attempt to have a complete economic package ready for presentation to the city council to-morrow. Exceptionally swift legislation of the measures would be required if confidence is to be restored and further funds are to be raised before present city funds run out in the middle of next month.

MAC officials, apparently refusing to guarantee that even these measures would be enough to restore investor confidence, are pushing for a total \$1bn. cut in city expenditures. Other proposals being considered involve a sharp increase in the city's bus and subway fares together with an immediate end to subsidised free tuition at City University.

These latest moves in New York City's fight for financial survival follow stern warnings last week from "Big-M," as the new agency has been nicknamed, that it might not be able to raise more funds for the city in the public debt markets. Big-M had been scheduled to make three separate \$1bn. bond issues but with bank support not even working to sell out the first \$1bn. offering, prospects for successful sales of the second two issues are slim.

New York City's municipal union leaders greeted the news of these latest planned cutbacks with threats of all-out strikes. Accusing Mayor Beame's administration of "juggling the figures," several unions said that they would challenge the legality of the lay-offs in the courts. "If that fails" one stressed this morning, "we would rather have a city bankruptcy than more cutbacks—at least that would hurt the bankers and senior administration officials as much as the workers."

Ex-junta officers face trial

BY OUR OWN CORRESPONDENT

ATHENS, July 20.

THE FIRST of a series of trials of members of the fallen military junta begins here to-morrow, answering a public outcry for the punishment of those who seized power by force of arms in April 1967 and abolished democratic rule in Greece for seven years.

Sitting in the dock will be 21 retired army officers accused of conspiring to commit sedition, barely five months *after* the collapse of the military dictatorship.

The 21 defendants are among a group of 39 officers arrested last February following the discovery of a plot ostensibly intended to force the Government to amnesty the leaders of the junta now in prison awaiting trial on charges of high treason. The other 18 were released during the investigation for lack of evidence against them.

According to the indictment, the group also wanted to curb the activities of the Communist Party, legalised by Premier Constantine Karamanlis after being outlawed for 27 years, and *to return Greece to the military* arm of NATO from which it withdrew last summer following the alliance's inability to prevent the threat of war between Greece and Turkey over Cyprus.

On July 28, 24 leading members of the military junta, including former President George Papadopoulos and retired Major General Ioannides, will also stand trial before a civilian high court on charges of high treason stemming from the 1967 coup. *Their trial,* termed here as the "Nuremberg of Greece," will be held inside Korydallos prison where they are detained and the Government has already taken stringent security measures. *There have been reports* here that Junta sympathisers may attempt to kidnap members of the Government or foreign diplomats to bargain for the amnesty of the Junta ringleaders.

Lopez Rega leaves Argentina

BY ROBERT LINDLEY

BUENOS AIRES, July 20.

JOSE LOPEZ REGA left Argentina last night on an "official mission" to European countries, but his departure, under pressure from the unions and the *armed forces,* is seen here as permanent.

Sr. Lopez Rega, the figure who, since Gen. Juan Peron's death a year ago, had become "the power *behind the throne*" of Gen. Peron's widow, President Maria Estela Peron, had continued to try to manipulate the Government since she reluctantly accepted his resignation as Social Welfare Minister and Government secretary nine days ago.

He continued living at the presidential villa and, reportedly, would not let members of Sra. Peron's reorganised Cabinet see her there, where she is recovering from influenza.

But the pressure on the President to get rid of Sr. Lopez Rega mounted last week leading to his secretive departure aboard a *Presidential aircraft,* for Rio de Janeiro from where, it is understood, he will continue to Europe aboard a commercial airliner. After Sr. Lopez Rega's departure, the Presidential press secretariat at first announced that he had gone as Sra. Peron's "ambassador plenipotentiary," but later it was announced instead—and not very clearly—that she had simply asked him to "make connections with international organisations in Europe."

The impression that this spells the end of "Lopez Regaism"—Sr. Lopez Rega's attempt to fill, without a power base of his own, the *power vacumn left by Gen.* Juan Peron's death—is strengthened by seemingly reliable reports that Sra. Peron will accept the resignation of the five Lopez Rega men, out of a total of eight, in her Cabinet.

The result of Sr. Lopez Rega's defeat will surely be an increased presence of the armed forces and the unions in the Government. To-morrow morning Sra. Peron will receive the top leaders of the powerful General Confederation of Labour (CGT) who will deliver to her the CGT's Government programme and economics policy.

W. German, Japanese hover-rail project

BY NICHOLAS COLCHESTER

BONN, July 20.

WEST GERMANY and Japan are in discussions that may lead to collaboration in their research into magnetically levitated transport systems. The German *Ministry for Research and Technology* told the Financial Times that it judged the chances for such co-operation "positively" but explained that it was still necessary to work out the basis *on which jointly developed technology* would be shared.

The Ministry also confirmed that the Soviet Union had shown interest in German work in this field and that a team from the *ministry had visited Russia* to talk about it. Russia's immediate participation in research in this field is not envisaged as the country has done little work of its own, but its later involvement as a potential user of a magnetic transport system certainly remains a possibility.

At present W. Germany is spending DM35m. a year on research into and development of magnetic levitation, and with the abandonment of such research in other countries it is now the only European country active in the area. Two systems are being investigated: An electro-magnetic system using ferro-magnetism which is being worked on by Messerschmitt-Boelkow-Blohm and Krauss-Maffei, and an electro-dynamic system using induced-current magnetism which is being developed by AEG-Telefunken and Brown Boveri.

The former approach is simpler but uses a narrow "floating clearance" of some 15 mms, while the latter uses more *futuristic super-conducting magnets* to produce up to 10 times that clearance. The research and technology ministry in Bonn hopes to choose between the two systems in 1977, and then move ahead with a single chosen system if it still looks economically sensible.

With Germany now going it alone in Europe and feeling something of a budgetary squeeze, co-operation with Japan in the magnetic levitation field makes increasing sense. Having pioneered high-speed trains, Japan could well benefit the most from a new high-speed *suspension system, and* it is financing research through the Japanese national railways and through MITI. The two Japanese companies in the field are Mitsubishi and Hitachi.

'Arabs may turn back to Soviet for help'

By Ihsan Hijazi

BEIRUT, July 20.

THE MIDDLE East is facing a crucial week. Against the *background of an intensified war* of attrition by Palestinian guerillas against Israel, the need for some move which will allow the United Nations mandate in Sinai to be renewed is regarded as crucial by observers.

There are already signs that the Arabs, including Saudi Arabia, may be preparing to turn to the Soviet Union for help as the radicals are falling behind Egypt's decision not to renew the mandate.

What is significant in the growth of guerilla action against Israel is that most of the escalation has been not only by the "rejection front" but also by Al Fatah, the main group which has thus far adopted a milder stand on efforts at a Middle East settlement.

Fatah has claimed credit for the unsuccessful attempt on Friday to plant explosives at Lod's Ben Gurion airport, and announced that the two guerrillas arrested there by Israeli security men were its *members.*

Fatah had also claimed responsibility for the big explosion in Jerusalem earlier this month in which 14 were killed and over 60 wounded provoking heavy Israeli air, sea and land retaliation against Palestinian camps in Lebanon.

In Damascus, the state-controlled media have come out in full support of Egypt's decision not to extend the UN mandate beyond the July 24 deadline.

Last night, President Hafez Assad received a message from President Ford, Damascus Radio said, but did not disclose the contents. Informed sources believe an anxious Mr. Ford may have urged President Assad to keep the UN peace-keeping force in the Golan Heights whose mandate has been extended *till November.*

In Cairo meanwhile a government spokesman has denied that Egypt was planning to abrogate the 1971 treaty of friendship and co-operation with the *Soviet Union. In fact,* other press reports here said that, on the contrary, President Sadat, disillusioned by U.S. failure so far to get Israel to agree to an interim *settlement in Sinai,* has enlisted Bulgaria's mediation in improving Egyptian-Soviet relations.

Reuter reports from Cairo that Egyptian sources said they *believed a visit to Moscow this* week by a delegation led by Finance Minister Ahmed Abu Ismail would be crucial for the future of Egyptian-Soviet relations.

Dr. Abu Ismail and experts from Egypt's Ministries of War, Foreign Affairs, Industry and Trade are expected to discuss the thorny problem of rescheduling the country's debts *to the Soviet Union. These are* estimated by informed sources to total about £1bn.

\$600m. Saudi credit for Egyptians

By Michael Tingay

CAIRO, July 20.

KING KHALED of Saudi Arabia to-day committed himself to a \$600m. credit facility for Egypt, and an undertaking to provide an unspecified sum for an Egyptian public housing project. This was announced in a joint Egyptian-Saudi communique to-day as the Saudi monarch left Cairo after his five day State visit.

The communique also gave a commitment of Saudi support for Egypt's position towards the renewal of the UNEF mandate in Sinai, *which expires on July 24.* Last week, Egypt's Foreign Minister, Ismail Fahmi, warned that the UNEF mandate would not be renewed unless Israel ceased its "prevarication" in what was seen as a hard line to test the temperature of Israel-American reaction.

The news of the \$600m. credit facility, which amounts to collateral in Egypt's central bank, comes as no surprise since a figure of this order was expected as a Saudi contribution to the consortium discussed at the Ford-Sadat Salzburg summit.

Two Americans kidnapped in Eritrea

By Our Own Correspondent

ADDIS ABABA, July 20.

ETHIOPIA'S provisional military Government has disclosed that two Americans and four Ethiopians were kidnapped last Monday while working at the U.S. communications base in the northern city of Asmara.

A Government statement speculated that the kidnappers could be "elements connected with the seccessionist effort in Eritrea" but said their identity *was still not known.*

This was a reference to the Eritrean Liberation Front which has been waging a 13-year war of independence in the former Italian Red Sea colony.

The U.S. nationals were identified as Steve Campbell and Jim Harrel who work for an American Government contractor

THE JOBS COLUMN

Pay seems strangely low

BY MICHAEL DIXON

CAN Britain's managers and professionals be as modestly paid as is suggested by the figures in the table?

They come from the first "Reward" salary survey based on information collected by the Professional and Executive Recruitment agency. The survey covered 50,000 people who registered with PER as job *candidates from February 1 to* May 31. The figures I have reproduced, however, concern only about 3,800 of all ages based in London—the highest paying area.

	L. quartile	Median	U. quartile
General managers	£4,600	£6,000	£8,400
Admin. managers	£3,000	£3,650	£4,350
Company secretaries	£3,500	£5,000	£6,000
Accountants	£3,000	£3,700	£4,700
Cost accountants	£3,000	£3,750	£4,750
Computer managers	£4,200	£5,250	£6,500
Systems analysts	£2,800	£3,400	£4,000
Programmers	£2,200	£2,500	£2,900
O&M officers	£2,800	£3,300	£4,200
Personnel executives	£2,750	£3,300	£4,500
Training executives	£2,500	£3,400	£4,000
P.R. executives	£2,500	£3,250	£4,250
Marketing managers	£3,200	£4,200	£5,500
Sales managers	£3,450	£4,050	£5,000
Sales office managers	£2,550	£3,000	£3,500
Sales representatives	£2,500	£3,000	£4,000
Technical sales representatives	£2,650	£3,000	£3,500
Retail management	£2,500	£3,000	£3,700
Production managers—engineering	£2,900	£3,500	£4,000
do. —non-engineering	£3,000	£3,500	£4,100
Mechanical engineers	£3,000	£3,600	£4,650
Electrical engineers	£2,550	£3,500	£4,000
Chemical engineers	£2,100	£2,500	£4,850
Designers, draughtsmen	£2,350	£2,800	£3,500
Engineering maintenance	£2,750	£3,200	£4,000
Quantity surveyors	£2,200	£3,200	£3,500
Chemists	£2,250	£2,650	£3,200
Economists, statisticians	£2,750	£3,250	£4,350
Metallurgists	£2,000	£2,800	£3,300
Physicists	£2,500	£3,000	£3,600
Distribution executives	£3,000	£3,500	£4,000
Purchasing executives	£2,500	£3,100	£4,000

The first, lower quartile column represents the salary of the person three-quarters of *the way down the pay league* for the particular category, the median the salary half way down, and the upper quartile the salary a quarter of the way down. Since various proportions of PER's candidates were jobless, an upward adjustment is needed to make the figures reflect fully employed people. But the adjustment recommended by the survey is only 4 per cent. Surely it should be more?

This doubt needs clearing up, if possible. So I should be grateful to readers for information and/or considered views on the salaries actually being paid now to such people in London and elsewhere.

A DIRECTOR is needed by the Metal Fixing Association for Ceiling Systems—the London-based trade association of the suspended ceilings industry. Candidates must be skilled administrators and communica*tors with knowledge of con*struction industry. Age 30-50. Salary not quoted but my estimate is around £6,000. Car. Applications to the association's chairman, Frederick Cox, at Audley House, 9, Margaret Street, London W1N 7LF. Closing date July 31.

EDUCATION professional, with experience of timetabling, is wanted for two years as project-manager for work on dealing with school timetables by computer. Job is at Local Authorities Management Services and Computer Committee in London. Computing knowledge not essential. Salary at least £6,000. Applications, marked "Cast." to the LAMSAC director, S. R. Barnes, at 3, Buckingham Gate, London SW1E 6JH, by August 8.

FINALLY, this week's pair *from PER. Applications by* telephone (01-235 7030) to the consultant named.

A qualified accountant is wanted in Tehran for the international group of the National Freight Corporation. First task is to plan, develop and maintain financial and management accounting system. Responsi*bility,* to managing director, includes overseeing of all financial matters affecting NFC in Iran. Salary £9,000. Car. Furnished accommodation. Mike Okninski.

An accountant with experi*ence of costing and cash-flow* procedures is wanted by the financial controller of London-based Marryat Handling, which specialises in light and medium custom-built and modular handling systems. Responsibility is for six staff and day-to-day running of accounts department. Salary up to £5,000. Peter Harlow.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPUTING

Improved data entry devices

IN THE spate of announcements from IBM last week concerning a series of new products, a number of significant facts have emerged. One of the most important so far as users are concerned is the move on the 3790 communications system/data entry equipment to make it able to function independently of the main computer system.

This is achieved by using the capacity of the control unit's diskette to handle user data, formatting and system control.

New are the 3760 key stations which offer 24 operator positions on 12 dual entry units, at maximum stretch. System control is via a batch transfer program for two-way communication under the instruction of the computer operator who does not have to handle any media and can instruct the 3790 to transfer its processed data to peripherals under the control of the main computer.

The controller for the system is made at Havant, Hants, and the key stations at Greenock to a total design by the Uithoorn laboratory in the Netherlands. First customer shipment is for the beginning of 1976.

General Business Group of IBM in the U.K., in the first announcement made since its formation from General Systems and Office Products, disclosed what had been known for a week in the U.S., namely that a new model was being added to the System 3 range. Model 12 becomes the smallest of the company's units able to use the 3340 disc system giving fast access storage of over 80m. characters.

This direct access unit allows many small businesses to key their entire information base on-line for immediate use.

European manufacture is to be in Italy and first shipments of the unit are for late summer next year.

Meanwhile, an independent report by Decision Data Computer Corporation in the U.S. finds that users of System 3 equipment intend to keep their machines for far longer than the accepted norm with a life expectancy of seven years compared with three to four years.

This is despite the way in which System 3 has altered since it was first introduced as a non-standard card only unit in 1969.

Between the first model delivered at $990 rental and the current $2,200 per month disc-based "typical" unit, with 10m bytes of direct access store, lie five years and 25,000 deliveries round the world.

Keeps check on stock

SOME 14 fields of information in 77-character records are the basis of a stock control system introduced by Syscon (Atlantic) of 23 Russell Street, Reading, Berks RG1 7XD (0734 594242).

Based on a PDP-8 mini, with corresponding assurance of maintenance and support, the system allows transactions and enquiries to be made on a VDU on which a full record can be displayed in less than a second. Two system sizes are available, one with a capacity of 4,000 77-character records (£8,570), the other handling 12,000 (£10,812).

The 14 fields include location, description, quantity in hand, allocated quantity, re-order level and quantity, stock on order, prices, VAT and several others.

Reports are generated on a 132 column printer which is also used for keeping hard copy of all file transactions.

Syscon will tailor the system to meet individual requirements, and it can also be expanded to include other business applications such as invoicing, payroll or accounting.

Will store more data

A DATA recording unit based on the Philips digital cassette transport has been announced by Digital Equipment Company for use with the PDP 11 range of computers. The company will continue to supply its TA 11 cassette system, a specific in-house design.

Available in single or dual transport form, the unit is to ECMA 34 (BS 5079) standards, now internationally accepted for the interchange of digital data on cassettes. Any tape recorded on the unit can subsequently be replayed on other manufacturers' equipment conforming to ECMA 34.

The data storage of a single cassette is 562,000 eight word bits which is the equivalent in capacity of six large rolls of paper tape, 6,000 punched cards and over six of the TA 11 cassettes. Hard error rate is better than one in a thousand million bits and the error check facilities are read-after-write and cyclic redundancy.

Suited to low cost medium scale data storage applications, one likely use will be in replay and analysis of data recorded from industrial monitoring equipment such as data loggers, transient recorders and environment monitors.

The unit, measuring 280 x 139 x 123 mm, will also be useful in transfer between different computers, replay of text produced at an off line printer or visual display unit, and the storage of pattern and manufacturing information to be used by local machine tool control units.

More from DEC at 252, Kings Road, Reading Berks (0734 583555).

● POLLUTION

Mobile fume extractor

CALLED THE Starcrest Fumeline 250, a mobile self-contained fume extractor which draws polluted air away from the welder, filters it and returns cleaned air back to the workshop, has been introduced by BOC. It removes the need for external ducting and avoids loss of heated air.

The unit is on castors and can be positioned by the workplace to remove fumes at source. A flexible hose enables easy and accurate positioning of the suction hood.

Filtration is in two stages and fume particles are collected by a washable foam filter. It is supplied as a complete unit needing only a 13A plug.

Details from: BOC, Gas Equipment and Workshop Supplies, Commercial Centre, Angel Road Trading Estate, Edmonton, London N18 3AL.

● MATERIALS

Brightener for nickel plating

FOR USE with the company's Zodiac bright nickel plating process, Harshaw Chemicals, P.O. Box 4, Daventry, Northants., has developed a brightener, ZD 201.

It is claimed that electrodeposits show very quick brightening and levelling, even in thin nickel deposits. Other claims are outstanding throwing power, ductility and chromium acceptance, making the process suitable for a variety of substrates, including steel, copper and brass. For zinc base die castings or other alloys the company has a modified version of the brightener.

It can be added to the bath without dilution, provided it is evenly distributed throughout the tank. Frequent regular additions are necessary and the average consumption is in the range 5,500-8,000 ampers/litre.

Shredded plastics protect

BXL PLASTAZOTE foamed polyethylene is now available in shredded form for protective packaging applications. Shreds range in thickness from 1 to 3 mm. Features include energy absorption; resilience; lightness in weight; and non-absorption of moisture.

Under recent agreement Kewell Converters is producing a range of gaskets, cord, and tubing sections in Plastazote for BXL. The gaskets are for sealing freezer doors and for use in other low temperature applications. The tube, in a variety of sections, can be used for thermal insulation and other engineering and industrial applications.

A technical information sheet (ERP 112) has been published on Evazote foamed crosslinked ethylene vinyl acetate, a material that complements Plastazote when a softer material is required. The company says it can be used to replace expanded natural rubber or Neoprene.

Bakelite Xylonite, Expanded Rubber and Plastics Division, Mitcham Road, Croydon, Surrey, CR9 3AL (01-684 3622).

● COMMUNICATIONS

U.K. design for export

MOS microcircuits that can be directly interfaced with a multi-frequency telephone key-pad in order to generate the 16 tone pairs used to set-up calls or transmit data, have been designed by General Instrument Microelectronics at their Glenrothes, Scotland, production unit and are now entering production there.

MF telephone key-pad microcircuit, first to be announced as a standard circuit, represents a considerable advance over conventional tone-generation modules using discrete components and analogue circuit techniques. Greater tone precision, lower assembly and set-up costs, smaller size, lower current drain and a greater reliability are all provided by the new AY-5-9400 which employs an original tone synthesis technique, now patented by the company.

The new microcircuit is expected to win considerable export orders, particularly in North America where high-speed MF call set-up is standard.

In a multi-frequency telephone signalling network call set-up is accomplished by means of four high and four low tones which can be paired in 16 high-low combinations to represent ten keyed numbers and, in data telephones, six additional control functions.

Microcircuit

These tones are generated in a conventional MF push-button telephone by a printed circuit module incorporating two large coils and a dozen or more active and passive components. Now, the entire module can be replaced by a single MOS LSI microcircuit tacked on the back of a key-pad together with an inexpensive ceramic frequency reference and one or two additional components.

Accuracy of frequencies generated by the MOS-Ceramic tone generator is 1 per cent., well within the 1.5 per cent. specification laid down by telecommunications authorities, with only 5 per cent. harmonic distortion. GIM engineers are confident that this accuracy can be further improved to achieve an unprecedented 0.2 per cent. This means that the number of misrouted calls due to wide telephone systems tolerances will be greatly diminished, if not entirely eliminated.

The ceramic crystal used with the MF telephone chip has been designed to GIM's specification, by Vernitron, Southampton, manufacturers of ceramic communications filters—and is available from both Vernitron and GIM. Ceramic crystals are an order of magnitude more stable than coil filters while being significantly cheaper than quartz crystals. Consequently the need to tune the MF circuit during manufacture is eliminated. Furthermore the elimination of the coil means that tone signals build up instantly.

Use of GIM's low power n-channel ion-implant process has reduced the power consumption of the AY-5-9400 to a mere 35mW or only 8 to 10mA, current drain, sufficient to supply the telephone directly from the line. An additional feature is a lock-out circuit which inhibits the keyboard output when more than one key is pressed.

General Instrument Microelectronics, 57, Mortimer Street, London W1N 7TD (01-636 2022).

● TRAINING

Encouraging schools in technology

UNFILLED PLACES at universities in science and technology now total about 20,000 with another 10,000 at the polytechnics.

Academics are naturally worried and now alarms are sounding in Government circles since within five years or so the effects on industry could be serious.

Reasons range from "the bomb" and pollution to the effects of computers, but underlying the present attitude of the young seems to be the lack of appreciation of the relevance of technology to humanity, its general anonymity, its apparent lack of human values and perhaps above all its continuing low status in U.K. society.

In an attempt to win minds at the 12 to 14 year old level in schools the Department of Industry has just launched PETT in co-operation with the CBI, the CEI and other bodies. PETT stands for Project—Engineers and Technologists for Tomorrow and the idea will be to bring home some basic truths in schools by means of a magazine called Project, films, booklets, exhibitions and a generally better schools-industry collaboration.

Speaking at the recent launch of PETT the Director General of the CBI, Mr. Campbell Adamson, emphasised that the need was now urgent to give young people a "better idea than they are being given at the moment" of the excitement, challenges and variety offered by careers in industry and the services that can be provided by scientists and engineers to the community in the form of improved transport, food, housing and almost every other modern amenity.

● INSTRUMENTS

Precise voltage standard

DESIGNED AS an exact replacement for banks of standard cells is Trancell III, a transportable prime dc voltage standard made by Standard Reference Laboratories Inc. of South Plainfield, New Jersey.

Exhibiting a long term stability within two parts per million per six months and only 3 ppm/year—an almost unprecedented figure, for a solid state transportable standard—the unit is claimed to be immune from the temperature history effects which can disable saturated cells for weeks or months. It is also unaffected by charging currents, discharge currents, shock and vibration, and contains no toxic materials such as mercury or cadmium.

The devices are likely to be of particular significance to computer controlled processes because the accuracy of the instruments monitored by the computer not only depends upon precise electrical inputs but directly affects yields and recovery percentages of the process under control.

Outputs are available for ten volts, and 1.0185 V and the temperature coefficient is within 0.1 ppm. per deg C. More from Marketing Gesellschaft fur Kapitalanlagen, 8 Munich 2, Pacellistrasse 7, Germany.

● PACKAGING

Strapping faster

THE SHERIDAN automatic strapping machine is designed primarily for medium to large throughput, where speed is a critical factor, says the maker, Calvert Machinery, 262, Ipswich Road, Slough, Berks., SL1 4EP.

It will apply a single wrap of 12 mm polypropylene strapping in 2.2 seconds. It is said to be free from mechanical and electrical intricacies, and is flexible, since the machine, with an arch of 800 x 460 mm in the standard version offers alternative sizes up to 1,200 x 1,200 mm.

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● HANDLING

Light load stand-on stacker

A STACKER truck for handling loads of up to 1 ton to heights of over 11 feet has been introduced by Atlet, Thame Industrial Estate, Thame, Oxon (084421 3531). Known as the Minior, it is claimed to offer the advantages of a battery operated stand-on machine at a price comparable with that of a pedestrian powered stacker truck.

The operator stands within the body of the truck and is protected from side or rear collision. There is also an overhead guard. The truck has a turning circle of 4 feet 9 inches and can stack a 40 inch pallet in a 6 foot aisle. The steering wheel with a spinner knob is operated by the left hand and forward reverse and lift by the right.

Battery capacity is 3.5kWh, enough for a full day's work. The truck costs £2,500, including battery and charger.

Easier to manipulate heavy tools

A DIE HANDLER for manipulating die sets, moulds, etc., weighing up to 2,500 lbs, has been introduced by Funditor. Known as the model 1019 it has the further capability of a significant try-out force of up to 10 tons.

Designed for the safe handling of costly press tools, die sets, etc., it can be operated by one man. It simplifies the aligning of punches to dies and the mating of die and mould components during all stages of tool manufacture and repair.

For try-out work and precise engagement of the upper and lower sections of the tool when slow speed is essential, the pressure is applied manually through a hand-crank and gearing. Rapid vertical movement of the top platen by 1½ hp motor is provided. Interlocks prevent simultaneous engagement of the hand and power drives.

Funditor is at South Way, Wembley, Middx. HA9 OHE (01-902 3022)—a Lamson Industries Group company.

CONTRACTS AND TENDERS

Building and Civil Engineering

£10m. plant for Chloride

A £10m. contract to design and build a plant for Chloride Industrial Batteries has been won by IDC of Stratford-upon-Avon.

The project includes a building for housing a motive power battery manufacturing plant, an amenity centre an effluent treatment plant, and the necessary mechanical, electrical and process services to support the plant.

IDC is also to be responsible for the procurement, delivery, installation and commissioning of the battery-making plant.

Great emphasis has been placed on the protection of the local environment. There will be extensive use of filtration equipment, and considerable effort directed to recycling water and raw materials used in the manufacturing and assembly processes.

IDC will undertake full project commissioning and plant testing prior to production starting and it is expected that the plant will be completed in 1977.

Bridge over the Tigris

POSFORD Pavry and Partners has completed design and tender documents for a 4-lane bridge across the River Tigris situated about 15 km. to the north of Baghdad and known as the Baghdad North Bridge.

The bridge will connect the Army Canal highway with the road to Mosul, and so form part of the orbital highway around the city. The project includes dual level traffic interchanges with five minor bridges, and is estimated to cost about £9m.

The firm has also been commissioned to carry out hydrographic surveys for Port Kamsar on the Rio Nurez in the Republic of Guinea. The port lies at the head of a narrow approach channel and handles 4m. tons of bauxite a year from the hinterland.

Behind the scenes

A GENERALISED but interesting insight into the work of the Building Research Establishment is given by a film just released—Search and Research.

The considerable range of applied research undertaken at the BRE is exemplified by sequences on aspects as varied as lighting in hospitals, materials testing, preservation of ancient buildings, fire hazards, noise monitoring and control, even environmental investigations in schools—shown with great impact in a time lapse sequence of a speeded-up day in an actual classroom.

Two other BRE films also released at the same time deal with specific aspects of work at the establishment—one, Plastics in Fire, examines the hazards present in some inflammable plastic materials; the other, The Nibbler — a Quiet Concrete Breaker, introduces a piece of equipment developed by BRE.

The Nibbler is an attachment for an ordinary hydraulic excavator, converting it into a relatively silent concrete breaker.

All films, in 16mm colour, are available on free loan from the Film Library, Department of the Environment, Thames House (South), Millbank, London SW1 4QH.

JOHN CHITTOCK

Trunk roads in Nigeria

WARD Ashcroft and Parkman (Nigeria) have been awarded a contract by the Ministry of Works and Housing, North Eastern State, to design 230 km of single carriageway trunk roads between Gombe-Darazo and Kanawa-Shellem. The associated bridgeworks include a 165 metre viaduct.

Consultancy services will include topographical and geotechnical surveys, route location, detailed design, and preparation of tender documents.

Jetty and wharf contracts

WORK has begun on the reconstruction of the east pier at Grimsby fish docks.

The contract, valued at over £400,000 is to demolish the existing timber jetty and construct a new one with steel foundation piles and reinforced concrete deck. It has been awarded to The Dredging and Construction Company by the British Transport Docks Board.

At Govan Yard, Glasgow, the company has started work on the reconstruction of the east wharf, part of a major development programme being undertaken by Govan shipbuilders.

The existing timber wharf, located in the fitting out basin of Govan Yard, is to be partially demolished and replaced with a 110-metres-long steel piled quay wall and concrete deck supported on universal bearing piles. Incorporated in the deck will be heavy duty crane rails.

Cutting the cost of new roads

A CALL for a fresh approach in assessing the potential use of lower grade materials for sub-bases and bases in road building has been made by Mr. Pat Titman, chief planning engineer, Mears Construction.

In a paper presented to the Cement and Concrete Association Training Centre, he said that the DoE Specification had been invaluable in providing a standard well understood specification for widely available materials from which sound roads could be built quickly.

However, in the next decade the emphasis in road building was likely to be more on value for money than on speed of design.

"We need," he said, "to exploit the potential for real engineering dialogue between road construction units, county materials engineers, planners and contractors."

A better compaction test was needed and there should be a systematic exploration of the assertions frequently made that certain low grade materials worked very well.

It would be specially valuable to investigate stabilised chalk roads from the point of view of frost and also to look at the maintenance costs of roads built with large particle size bases and sub-bases.

Relationships between particle shape, grading, mechanical strength and layer thickness needed to be explored and Mr. Titman declared that if materials were laid in quite thick, that is 200 or 300 mm. layers, expensive grading and crushing would be avoided, allowing materials such as quarry scalpings and slate waste to be used economically as a sub-base.

Another store for Fine Fare

KEDA Construction of Radcliffe, Manchester, has won a £1.7m. contract for the new Winsford, Cheshire, shopping development planned by Fine Fare.

The project includes an 8,000 square metre store, a three-floor car park, six independent shop units and a public house. Completion is expected early in 1977.

Architects are Twedell, Park and Partners and consulting engineers are Michael Barclay Partnership.

Supermarket and shops

BOTH a supermarket and 25 individual shop units at Hunslet District Centre, Leeds, are covered by a £1.2m. contract awarded to Miller Construction, a division of James Miller and Partners, by William Morrison Supermarkets.

Included in the contract are a covered mall for pedestrians, service yards and roads and a car park.

The supermarket will be a single-storey, steel-framed structure about 84 metres long and 55 metres wide. The shops which are for use by other traders will be in two blocks, the mall running between them and linking into the supermarket at one end.

Architects are John Brunton and Partners and consulting engineers White Young and Partners. Work is just starting.

£8¾m. awards to Higgs & Hill

TWO contracts, with a total value of about £8¾m. have been awarded to Higgs and Hill.

The largest, worth £5¼m., is for the remaining building work involved in the construction of new regional headquarter offices for the Central Electricity Generating Board on land adjacent to its Scientific Service Laboratories at Beckwith Knowle, Harrogate, Yorks.

The building has been designed by Gillinson Barnett and Partners and will be built around the four sides of a quadrangle. It will be constructed entirely of reinforced concrete.

Aluminium curtain walling with continuous bands or reflective double glazing will minimise solar heat gain and glare but will permit reasonably large windows. Work is due for completion in 1977.

The other contract, valued at £3½m. is for improvement of the A45 between the Newmarket bypass and the Bury St. Edmunds bypass.

There will be dual 7.3 metre carriageways with an additional 1 metre hard strip and, principally, a 4.5 metre central reservation. Approximate length of the scheme is 8.5 k. including two grade separated interchanges.

Earthworks will involve excavation of about 652,000 cubic metres of material and the placing of about 308,000 cubic metres of compacted fill. Three bridges are to be constructed.

Rebuilding in Darwin

BARCLAY BROS. PTY. a wholly owned subsidiary of Barclay-Mowlem (Australia) Pty. an associate company of the Mowlem Group, has won a contract to build 400 houses as part of the rebuilding programme for Darwin in North Australia.

The contract, valued at £10m., has been awarded by the Australian Government Department of Housing and Construction, as part of the programme to be carried out by the Darwin Reconstruction Commission under Federal Government authority.

The new houses will be based on the Mowlem system of building, suitably amended to meet the new "cyclone code" which has been worked out and published by the Australian Government. The system consists essentially of a poured in situ monolithic concrete shell with a variety of external elevation treatments to provide architectural variation.

In London, for the Borough of Hounslow, Mowlem has been awarded a £140,000 roads contract in connection with the Wellington Road North Phase I housing scheme. About 1500 metres of sewers as well as 4,000 square metres of carriageway are involved.

Steel for a conference centre

REDPARTH Dorman Long has awarded a contract worth about £150,000 to Graham Wood Structural, for fabrication of 500 tonnes of structural steel.

The steel, for construction of the new Brighton Conference Centre, will include some of the largest lattice girders—up to 160 ft. long and 60 tonnes in weight—ever used by the U.K. construction industry.

Fabrication has now started at the Lancing, Sussex, works of the company, a subsidiary of the Graham Wood Steel Group.

£8m. civic centre

MUNICIPAL offices, with three levels of basement car parking and offices at Wulfruna Street, Wolverhampton, are to be constructed by Taylor Woodrow Construction at a cost of over £8m.

The development about 130 metres long and 95 metres wide, will be an "L" shaped structure covering an area of some 1.2 hectares. Construction will be of reinforced concrete frame with circular columns and "waffle" slabs.

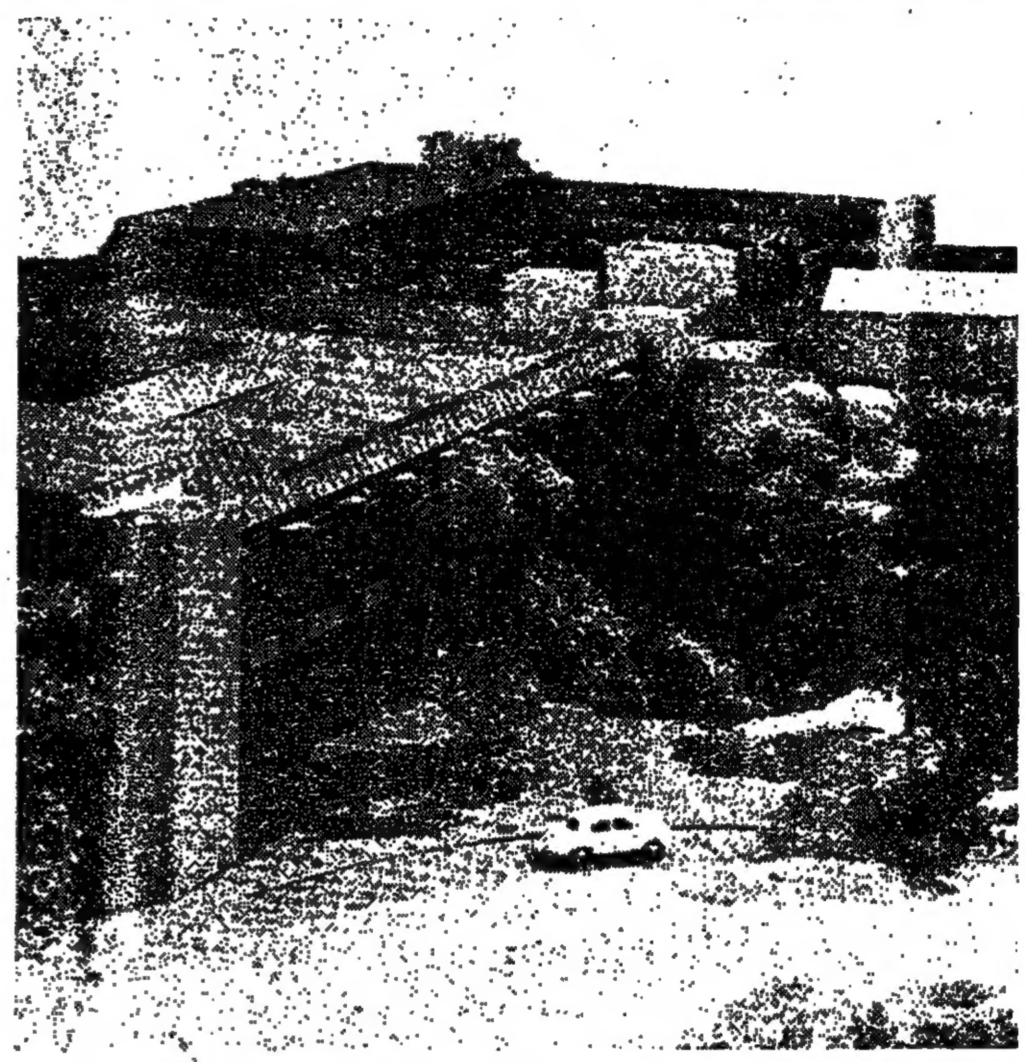
The architects are Clifford Culpin and Partners; structural engineers, Ove Arup and Partners, and quantity surveyors, Gardiner and Theobald.

£3m. timber frame housing

LOVELL Housing has been awarded five housing contracts totalling over £3m. All the schemes will call for the Lovell timber frame system with brick cladding to the ground floors and either horizontal vinyl boarding or vertical tile hanging above.

The largest contract (£1¼m.) is for Watford Borough Council at Woodside Close, Watford. Here 60 two-storey houses and 60 three-storey flats are to be erected, together with a separate two-storey complex containing 44 flats for the elderly.

Other contracts are for 120 units at Camp Road, St. Albans, for St. Albans District Council (£1m.), a similar 32-flat complex for the same council at Holyrood Crescent, St. Albans (£237,312), flats for the Borough of Broxbourne (£225,000) and houses for the Greater London Council, at Heston Road, Hounslow (£77,665).



Model of a 166,000 sq. ft. extension to be made to IBM United Kingdom's Hursley Laboratories in Hampshire. Trollope and Colls has been awarded the contract which it is believed is worth about £5m. The extension has been designed by Darbourne and Darke and it is asserted that no heating, other than recycled heat from the building's computer centre, should be required under normal conditions. Work is scheduled for completion in 1977.

Restoration of a City landmark

WHAT must be among the most ornate office buildings in the City of London has become available for letting following a £4m. refurbishing operation by Bovis Construction.

Amalgamated House, in Trinity Square, within a stone's throw of the Tower of London, and former headquarters of the Port of London Authority is now awaiting a tenant, or tenants, who can afford to pay well over £20 per square foot.

The building was erected about 50 years ago and has been renamed after its present owners—Amalgamated Investment and Property Company. Following Bovis's restoration work it now offers a floor area of about 166,500 square feet which can be divided into individual offices or suites.

In what was an almost total overhaul of the building, Bovis replaced the top floor with two new office levels and built a nine-storey block within the central courtyard to take the place of a building which had been destroyed by a bomb in the last war. The new wing is linked at various levels to the original structure.

Apart from air-conditioning, the amenities now include 11 automatic passenger lifts, double-level entrance hall lined with marble, walnut panelled boardroom of about 2,400 square feet, individually styled and panelled executive suites, sauna bath, fitted carpet throughout, car parking facilities in the adjoining private road, and landscaped gardens in the internal courtyard.

Thomas Vale gets £2m. orders

OVER £2m.-worth of contracts are now being handled by Thomas Vale and Sons.

Jobs which have either just started or are due to start soon include extensions to Birmingham Polytechnic (£676,000), sewage works extensions at Frome, Somerset, for the Wessex Water Authority (£741,000), a health centre at Brierley Hill for West Midlands Regional Health Authority (£248,000), dwellings at Barton Hill for the City of Bristol (£311,000) and foundations for Ruston Gas Turbines (£56,000).

Long link hospital transport

IN HOSPITALS, convalescent homes and clinics, and other establishments where there may be long distances between buildings, travel between them for staff, patients, food, equipment, etc., can be a problem.

For situations such as these two German companies, DEMAG and MBB, have developed a transport system called the Cabinenlift. The first has been installed at a district hospital in West Germany where it provides a 600-metre link between a 280-bed main clinic and a "follow-up care" clinic of 70 beds. The installation cost DM2m.

The system is suspended from a track mounted on concrete pillars, and has a single 12-passenger cabin which can also accommodate patients in beds and other equipment by altering the seating arrangement. Access is through doors at the end of the cabin and the journey time is two minutes, reaching a maximum speed of 20 km/hr.

Weather-proof box steel girders, 500 mm. wide by 1,200 mm. high, form the track. This accommodates the busbars and the secondary rail for the linear motor and linear brake. In addition, heating pipes and electric cables providing services to the follow-up clinic are included in the girders.

The cab is of aluminium, suspended from two travel units equipped with springs and shock absorbers. Each unit runs on four driven and four guide wheels, all with rubber tyres. Safety devices are said to be comprehensive and to comply with the regulations for lifts.

DEMAG which has a U.K. office at Beaumont Road, Banbury, Oxon. OX16 7QZ (0295 4351), says that the system is part of a comprehensive "Cabinetaxi" programme aimed at providing new types of traffic technology for urban transport.

Keeping seas clean

POLLUTION of the environment, particularly the sea and coastal areas, as a result of the escape of crude oil from wrecked tankers or damaged well-heads, is a burning topic in Europe at the moment as exploitation of North Sea oil and gas deposits expands and the size of tankers in shallow European coastal waters rises.

Recently there were a number of demonstrations of oil removal techniques including one at Concarneau in Brittany, sparked to some extent as a result of the extensive pollution of the French Atlantic coast after the Torrey Canyon disaster several years ago.

One of the systems displayed was the Cyclonet equipment developed by a number of French companies including Alsthom and CGE.

As the name implies it is based on a cyclone separation process, but one which does not demand extra energy from integrated equipment or the towing vessel.

They can be towed independently or attached to the hull of the parent vessels, or again, placed in the current of a river. They allow ingress of a section of the surface liquids, thus of oil and a small portion of water at a given velocity dictated by the speed of the mother ship.

Tangential inflow causes the liquids to rotate and separate into the two components—oil above and water below. The lighter oil moves up into storage and the cleaned water goes back to the sea.

Scaled-down hull

Versions exist for use in ports and at sea and while the speed of the parent vessel is important, the design of individual units is such that reasonably wide range of operating speeds are permissible for a given size of unit.

Alsthom - Techniques des Fluides carried out the testing of a Cyclonet of 50 cm. diameter on a scaled-down hull related to a 30 metres trawler. The liquid mixture skimmed from the water contained from 80 to 100 per cent. oil from 0.5 to 2.5 knots with oil slick thickness upwards from 2.5 mm, and waves from dead calm to 50 cm. height.

Competing with this purely European solution to the problem is the Seaclean device developed by Battelle, Geneva, for Cemstobel SA of Belgium.

The secret of this unit is a continuously rotating multi-thread screw which draws water and oil upwards into a casing. But the screw has a diminishing pitch and this and the speed of rotation causes the oil to thicken till it is free from water at which point a pump removes the oil.

The water is discharged continuously through an aperture at the bottom of the casing.

In the view of Cemstobel, this system is the only one which truly copes with wave movement. This is because it by-passes the emulsifying effect of rough water while the whole device follows the movement of any swell.

Seaclean in the best conditions has achieved 95 per cent. effectiveness and it can collect at a rate of 140 cubic metres an hour from a slick 1 cm deep.

CGE International is at Castle Works, Station Road, Hampton, Middx. (01-941 2525) Paul Farber Cemstobel, rue du Canal 59, 1000-Brussels.

IN BRIEF

- The East Midlands Hallam Group has gained a contract worth £963,450 for the design and construction of a centre for mentally handicapped people at Peterborough.
- Following the recent opening of an office in Doha, Qatar, White Young and Partners has opened another in Sharjah, one of the United Arab Emirates. This is to be known as White Young and Partners Sharjah.
- Reed and Mallik has been awarded a contract worth £86,500 by Torbay Borough Council for extensions to a quay and a slipway at Brixham, Devon.
- Turriff Taylor, a subsidiary of Turriff Construction Corporation, has been awarded a contract to build a £2.8m. gas compressor station in Iran, for the National Iranian Oil Company.
- SALES of Sambron site materials-handling equipment for the three months ending June 30 reached £1m., nearly 60 per cent. up on the same period last year.
- CORDEK, Billingshurst, Sussex has won orders during this month for more than 50,000 cubic feet of expanded polystyrene voidformers for use in the construction of road bridges in different parts of the country.

Advantages of concrete barriers

SAFETY barriers are essential in order to eliminate head-on collisions on motorways and major urban roads. It has been proved in practice over hundreds of miles of road in the United States, Australia, New Zealand and Europe, that a concrete profiled safety barrier can save both lives and money by greatly reducing collision damage both to the vehicle and the barrier.

Cement and Concrete Association has published a new leaflet which describes this type of safety barrier. It can offer advantages on heavily congested motorways and urban roads in the United Kingdom.

The leaflet describes how a vehicle, striking the concrete barrier, climbs up its profiled shape and is decelerated and redirected along the carriageway with, it claims, minimum risk of further collision with other traffic. Impact energy is absorbed by the wheels and suspension of the vehicle and not by the deformation of its bodywork and of the barrier itself.

The height that the vehicle climbs the concrete barrier depends on its angle and speed of approach, but the profiled shape is intended to ensure that a colliding vehicle does not surmount, penetrate or deform it. Considerable saving in maintenance costs are possible since the concrete barrier suffers little or no damage during impact.

Because of its narrowness and its non-deforming characteristics, the concrete barrier is ideally suited for use as a median barrier on urban roads but it has a range of other uses such as a base for lighting columns and road signs, as a noise barrier, glare screen or bridge parapet. The profile may be built into other structures such as retaining walls and tunnel walls.

Cement and Concrete Association, Wexham Springs, Slough SL3 6PL. (01-2356661).

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MONDAY, JULY 21, 1975

Too reserved by half

THE Government should publish its reserve powers Bill without any further delay. This important legislation is a cornerstone of its new counter-inflation policy, since it would provide the statutory teeth that may in certain circumstances be required to make the (voluntary) policy work. Yet at the end of last week the Lord President, Mr. Edward Short, declined to tell Members of Parliament when and in what form the proposed Bill, which already exists in draft form, will be put before the House. The Chancellor, Mr. Denis Healey, should come clean in to-day's debate.

Consent

The Cabinet's fear appears to be that if the bill is published it might dispel the atmosphere of sweet reasonableness that seems to have descended on several important trade unions (including the National Union of Mineworkers) since the policy was launched ten days ago. The essence of its approach all along has been that no policy will work without some degree of consent and that the package that wins the widest measure of consent is likely to be the one that will turn out to be the most effective in the long run. This line has been reinforced by the Prime Minister's characteristic desire to avoid anything that might worsen the split inside his own party.

As a result the original dispute between those who supported the Chancellor in his campaign for a plainly-stated statute and those who supported Mr. Michael Foot and others on the Left who resisted anything that looked like legally-enforced wage control was settled by an ingenious compromise: the enforcement powers would be put forward in a special bill, but the bill itself would not be piloted through Parliament unless the voluntary policy was breached.

Now that everything seems to be going so swimmingly for the new policy, with the polls indicating that the public supports it by an overwhelming majority, many Ministers are arguing that it would be a pity to spoil it all by printing and distributing the bill now. After all, it is being said, publication might have an adverse affect on the autumn gathering of the Trades Union Congress (not to mention the Labour Party), while a discreet silence might be more beneficial. If anyone was so foolish as to break through the guidelines the bill could be introduced very quickly. It could be retrospective, and Parliament could be recalled if the need arose during the summer recess.

All this might sound reasonable; in fact it is unfair to everyone who might be affected if the new legislation does get used, and it is a sign of a further weakening of respect for the rule of law on the part of a Government that has shown itself all too willing to bend this essential safeguard of liberty when it has seemed expedient to do so.

Penalties

Such penalties as there are in the bill will most likely be felt by companies in the private sector. These companies are already in an invidious position: they have been instructed by the Government to maintain the line at £6 a week, but there is no idea of supporting them if employees strike against this norm. If they give in to such a strike they might be penalised according to unknown powers in an unknown bill. The least that can be asked is that these powers be spelt out clearly, so that businessmen—and everyone else—will know where they stand. There is a point beyond which leaning over backwards to meet the susceptibilities of the trade unions is going too far. Government-by-bluff may have its uses in certain circumstances, but carried to the present extreme it threatens the right of every citizen to know in advance just what is and is not a breach of the law.

Europe's winter of unemployment

ONE OF THE RESULTS of last week's meeting of the European Council in Brussels was a commitment to the further reflation of some of the main West European economies. The subject will be discussed in more detail when President Giscard d'Estaing of France goes to Bonn for talks with Chancellor Schmidt on Friday, and the West German leader will also have a meeting with Mr. Harold Wilson in Hamburg on Thursday. It seems likely that France and West Germany will be ready to introduce a package of measures by the end of next month. Possibly the Netherlands too will join in.

U.S. recovery

The timing of the new moves is revealing. It is now generally agreed that the American recession is, at least, not getting any worse, and there is even tentative agreement that a modest American upswing may be already under way. Since it was also agreed that there could not be much of a recovery in Europe without a prior recovery in the U.S., one of the conditions for an end to the European recession is already in the process of creation. There are also signs that the considerable reflationary measures already undertaken in France and West Germany are beginning to produce results. The very expansionary fiscal policy in Germany has already had some effect in raising consumer spending (though also in raising savings) and should have more in the relatively near future. There has been a similar attempt to increase demand in France, and in both countries the level of company inventories has been reduced so far that there must soon be a process of rebuilding. This factor alone should be mildly reflationary, quite apart from the effects of high public spending in such sectors as housing.

Thus the stage seems set for a modest, if not necessarily self-sustaining, revival: but neither the French nor the German Governments regard it as enough. The reason for their disquiet lies, quite obviously, in the employment situation. In West Germany there is, comparatively, no cause to worry about inflation, while the trade surplus has become legendary. Even in France the rate of inflation has been reduced and last year's current balance of payments deficit is being dramatically cut. But in both countries the unemployment figures have become so bad that even a modest upturn in the economy may fail to prevent them getting worse in the winter.

The number out of work in West Germany last month was just over 1m.—the highest June total since 1954 and about 4.4 per cent. of the labour force. There were another 800,000 workers on short time. The French figures are calculated on a different basis and may be somewhat less reliable, but, according to the latest forecasts of the European Community, unemployment in France is likely to rise from an average of 501,000 in 1974 to 830,000 this year.

Politics

In the long term, these figures are not politically tolerable. In West Germany Chancellor Schmidt faces Federal elections in October, 1976, having done relatively well in the *Land* elections in North Rhine-Westphalia last May by promising—wrongly, as it turned out—that the upswing was just around the corner. Next time he will need more solid evidence. In France the Socialist leader, M. Mitterrand, has already been regaining ground by his attacks on the Government's economic policy, and it may well be that economic unrest will give a new unity to the divided Union of the Left. In any case, the return of the French from their summer holidays at the end of August will be a testing time for President Giscard. In these circumstances, the readiness to announce yet more economic stimuli—probably through the public sector and the labour-intensive construction industry—is not surprising. Yet if and when all the measures taken so far begin to work, the economy will require the closest watching for the recurrence of the inflationary spiral.

No easy answer to the process industries' export dilemma

BY RAY DAFTER

THREE distinct messages emerge from the National Economic Development Office's process industries report published to-day: process equipment suppliers, fabricators and contractors are again heading for a cyclical slide in domestic demand: on the export front there is vast potential for new business: and, with the industry essentially involved in long-term projects, inflation is creating its own special problems.

The three points are interlinked, highlighting the dilemma now facing the U.K. process plant sector. Companies recognise that they must pay greater attention to securing export orders so that they can fill the spare capacity expected over the next few years. The rate of U.K. inflation, however, is making tendering a hazardous business, particularly in the main growth areas of Eastern Europe, the Middle East and South America where fixed-price contracts are favoured.

The pitfalls are lucidly described in the annual report of John Brown and Company, published earlier this month. In it Lord Aberconway, the chairman, explains how the contracting subsidiary, Constructors John Brown, came to lose some £4.9m. in the past financial year. An engineering company, seeking to sell either hardware or its services on a lengthy contract, had to face severe difficulties: particularly so when nothing but a fixed price was likely to be acceptable in most markets.

"To quote thus involves a difficult assessment of the rate of inflation required to be covered: if too high an allowance for inflation is added to the tender, the contract is lost, especially when many overseas competitors enjoy hidden subsidies and suffer less severe inflation: if too low an allowance is made disaster may well ensue," reports Lord Aberconway, adding that the problems have been compounded in the past year or so by the aftermath of the three-day week, shortages of materials and delays in obtaining components.

Financial problems

The CJB group has not been alone in the industry with its financial problems. Both Whessoe and William Press have reported sizeable losses on North Sea platform and module fabrication work. Babcock and Wilcox states in its annual report that its newly-acquired Woodall-Duckham group had made losses on some overseas chemical engineering contracts. The contracts were taken at a time when it seemed that the markets for Woodall-Duckham's historical business in the fuel and steel industries would decline sharply.

This temptation to pare profitability and to be over-ambitious in competitive tendering is a recognised trap in times of depressed demand and spare capacity. Companies therefore must be facing the prospect of the next few years with a degree of apprehension.

The latest survey of business trends conducted by the Process Plant Association shows that the rate of ordering dropped by 10 per cent. in the nine months up to March. The slow-down is a reaction to general economic recession, which prompts Commander John Hamer, the Association's director, to remark: "The time to invest is when you cannot afford to."

Looking at the contracting sector, NEDO reports that the total value of new orders for projects in the U.K. and overseas expected to be awarded this year, at more than £1.1bn., should be about 10 per cent. lower than in 1974 even without taking inflation into account.

The longer-term prospects for the process plant industry as a whole appear to be somewhat bleaker, however, particularly when set against recent record level of business. The U.K. expenditure on process plant is expected to be £1.1bn. this year falling to £1.03bn. next year and £882m. in 1977 (all at late-1974 prices).

NEDO's process plant working party is not unduly pessimistic, however. It feels that provided the chemical industry maintains a level of investment, at least to the average of the past few years, expenditure is unlikely to fall to the low levels of 1972 and 1973.

There is a number of reasons for this guarded optimism. First, progress has been made in efforts to co-ordinate the investment programmes of nationalised industries and to provide a more even spread of business. Second, the chemical industry appears to be largely succeeding in its attempt to maintain investment levels irrespective of the business cycle. Although the sharp drop in chemicals business has forced companies to "go slow" with some of their expansion projects, so far they have not repeated the tendency to postpone and cancel major new projects as in the past periods of recession. Finally, the process plant industry has found a new domestic outlet to provide it with a more stable workload: the North Sea oil industry which has now overtaken chemicals as the biggest single market. NEDO points out that there is likely to be a sharp drop in orders from the off-shore oil industry after 1976 although no account had been taken of possible hardware for fields as yet undiscovered.

Whether the process industry has obtained the full benefit of all this off-shore work is a moot point. Sir Frederick Warner, chairman of NEDO's process plant working party, maintains that plant and equipment manufacturers are missing out to overseas companies on much of this work. "I wish we were getting half the business," he said. "I doubt whether we are holding our own in this field."

The Government has been carrying out its own study into the performance, actual and potential, of equipment provision for the North Sea — its findings are expected shortly — but Sir Frederick sees the position as analogous to the situation in the 1940s when the U.K. moved into home-based oil refining. Overseas contractors stepped in, and scooped the business.

"It is not just a question of getting into the North Sea business; it is building up expertise for future off-shore work in other parts of the world. We have been caught again by old habits, relying on post-Imperial illusions that we will always be able to pick up some sort of work."

British industry, he said, was paying the penalty for placing too much emphasis on aerospace. It was short of heavy plant making equipment — the ability to manufacture heavy rotary compressors, for instance —and big lifting capacity. And it was hamstrung by shortages of heavy steel castings and heavy forgings.

Even so, despite these constraints and the comparatively limited size of the domestic market, Britain still has seven of the top 50 companies building chemical plants worldwide. This is important for the process industry at large, for U.K. suppliers account for well over half the material supplies on overseas contracts.

This is where the industry's concern about inflation is really focused. Last year, the materials and fuels purchased by the mechanical engineering industry increased in cost by 37 per cent. In some sectors of the process industries it is claimed that plant costs have risen at a substantially higher rate.

Fixed price contracts

Brigadier John Birkett, director of the British Chemical Engineering Contractors Association, says of inflation: "We want to know where we stand —it is difficult playing roulette and building for the future." In the past few days he had heard of two contracts—worth about £100m. and £40m. respectively—which had not been sought by the U.K. contracting industry because of their fixed-price nature.

Commander Hamer also emphasised the risks of contracts where the profit element might be as low as 5 per cent. and escalation anywhere from 20 per cent. to 40 per cent. or even more. "We are losing good export work. We can see a potential £320m. worth of export contracts at risk over the next five years because we cannot quote fixed prices with confidence. Those contracts could involve perhaps 15 to 20 per cent. of our workforce."

To help the industry and other exporters of major capital equipment, the Government introduced in February a cost escalation insurance scheme. In a nutshell, it provides through a subsidy partial cover against excessive inflation. The Export Credit Guarantee Department, which administers the arrangement, reports that so far schemes involving export projects worth some £1bn. have been approved, although it concedes that not all the potential contracts have been finalised.

The process plant industry, and contractors in particular, have been critical of the scheme, saying that its cover is inadequate when seen in the light of international conditions. Mr. Mark Nightingale, deputy managing director of Woodall-Duckham, for instance, says that his company would not take on a fixed-price export contract in current conditions unless a more acceptable insurance scheme were devised. He recognised, however, that with the U.K. industry expecting spare capacity next year, companies would be looking harder for export business.

So far as is known, no major chemical engineering contractor has yet finalised a contract incorporating an insurance agreement. The industry repeatedly points to the French system, which covers companies against the effects of inflation over a certain point, say 6½ or 8 per cent. a year. In this way French companies are better able to cost contracts and consequently have been doing extremely well in fixed-price export markets.

Other countries, which may not be covered by such a generous scheme, have the benefit of comparatively low inflation rates. The West Germans, for instance, are expecting their process plant export prices to rise by just 6 per cent. next year while Belgium is forecasting a 9 per cent. rise.

It is the unknown quantity of British inflation rates which is worrying U.K. companies. Under the existing insurance scheme, companies are expected to bear the effect of inflation up to a minimum level of 10 per cent. The Government covers 85 per cent. of any increase over a 10 per cent band above that minimum level. If inflation goes beyond that band of cover, the companies again must take the risk. Although companies can negotiate a longer term of coverage—15 per cent—if the contracts are for cash deals the conditions and premium payments tend to whittle away some of the benefits.

Problems are compounded

NEDO has now taken up the cause of the process industry with the ECGD. As the Process Plant Association points out, the problems are compounded by a misconception among potential overseas customers. They are said to believe wrongly, that the U.K. industry can quote fixed prices regardless of inflation.

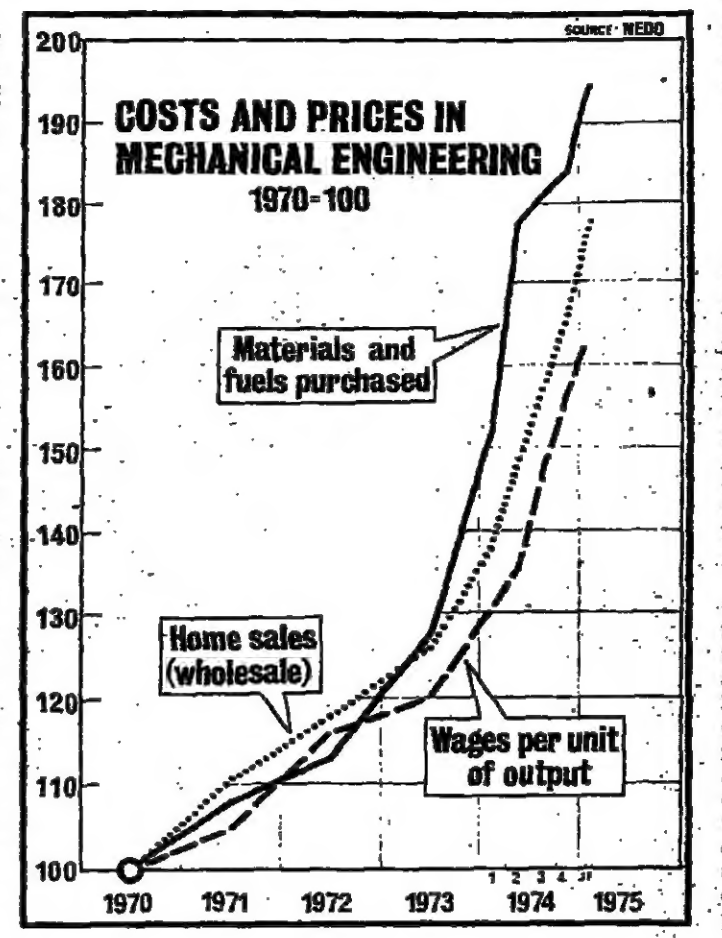
One suggestion put forward by the industry is that the Government should fix an "assumed" inflation rate—say 10 per cent or even 15 per cent a year—on which manufacturers and contractors can work. Any cost increases above that level would be covered by a subsidy. If the Government feels that an insurance scheme to boost exports is warranted, and clearly the principle has been accepted, then such an amendment must be worth considering. At least it might act as a much-needed fillip to the industry in the short term while the task of lowering inflation to more manageable levels goes on.

EXPENDITURE ON PROCESS PLANT (£m.)

INDUSTRY	ACTUAL (CURRENT PRICES) 1970	1971	1972	1973	1974	FORECAST (LATE 1974 PRICES)[a] 1975	1976	1977	1978	1979
Chemicals	170	168	139	126	182	240	252	244	na	na
Petroleum:										
Production[b]	—	19	35	47	162	351	294	173	131	47
Refining	22	47	22	34	71	95	75	75	88	70
Distribution	8	11	13	17	11	14	13	11	13	14
Gas	75	52	35	40	75	89	81	78	85	78
Steel	22	39	41	42	62	78	103	115	121	121
Electricity generating	55	46	56	73	82	128	135	119	116	139
Food and drink	26	29	32	64	84	103	79	67	63	28
Total	378	411	373	443	729	1098	1032	882	na	na
Total at constant (1970) prices	378	370	317	344	477	671	629	538	na	na

[a] Figures in late 1974 prices except: Gas—March, 1974, prices; Steel—September, 1974, prices; Northern Ireland Electricity Service—March, 1975, prices; CEGB—March, 1975, prices.
[b] The decline in the later years may be overstated.

Source: NEDO



MEN AND MATTERS

To Keyser via Canada

Enter one "very practical, down to earth chap" for Keyser Ullmann, the merchant bank that lost £61m. in the past year, having made provisions for doubtful debts of an impressive £82.5m. About four-fifths of total lending was related to property so the laudatory description of the newcomer offered by Derek Wilde, KU chairman, should be a reassuring one. The bank's new non-executive director is Wallace Mackenzie, 54, managing director of Slough Estates whose own rise has been associated mostly with Canadian property.

He joined Slough in 1951, and some four years later took charge of its fledgling Canadian operation, which has grown to be "very successful" in the words of Nigel Mobbs, Slough's deputy chairman. Last year, the subsidiary's pre-tax profits were up 35 per cent. to C$1.4m.

Slough Canada has built about half-a-dozen industrial parks ("An estate to Americans is what someone leaves when they die," says Mobbs), and Mackenzie's own activities have included presidency of the British-Canadian Trade Association. He became deputy managing director of Slough in 1972; recently he has stepped up to managing director in succession to Nigel Mobbs, himself set to become chairman with the retirement of his father, Gerald Mobbs.

Mackenzie was picked for KU on the strength of ties between his company and Barclays Bank, where Wilde is deputy chairman. Though as Nigel Mobbs says, the Canadian property scene has generally been "much healthier" than the battered U.K. market, Mackenzie's company has had to weather tough times: Canada's crisis came in the late fifties and early sixties, with a spectacular failure or two to prove it.

List's 50,000th

Congratulations to *Lloyd's List*, the daily paper dealing mostly with affairs relating to the London insurance market, which to-day brings out its 50,000th issue. It is one of the country's oldest newspapers, having started in 1734, becoming a daily in 1837.

At the beginning, the List was a simple newsheet distributed in the coffee houses, with sketchy financial information on one side and shipping movements on the other. The earliest issue in the paper's possession is that dated Friday, January 2, 1740. Dealers were no doubt recovering after spirited New Year festivities, and things looked quiet.

Under "Prices of Stocks" East India seemed to be hardening a trifle towards the end of the week: South Sea (Bubble?) shares were unchanged. One nice touch of honesty is the inclusion under the same heading of "Lottery Tickets." Publication was just being increased from once to twice a week: "Subscriptions are taken in at three shillings per Quarter, at the Bar of Lloyd's Coffee-House in Lombard-Street."

Russian ruse

With the Americans changing the name of their space launching base from Cape Canaveral to Cape Kennedy and back again in the course of a decade or so, perhaps we ought to forgive the Russians a bit of geographical muddle over their own site.

For years, since Yuri Gagarin and the first sputnik, the West (and indeed Russians themselves) have been told that launchings took place from Baikanour. Not so. The achievements of the U.S.-Soviet space duet have not only involved cheating Bognor Regis of its place in space history, but also exploding the myth about Baikanour.

The launch site is really 200 miles to the north east, outside a city called Leninsk in Southern Kazakhstan. The really intriguing thing is that Leninsk has been missed off public maps and its population was not included in the grand 1970 census.

But visits by American astronauts and the American Ambassador, who flew there to see the departure of the two-man Soyuz involved in the present joint mission, established Leninsk to be a prosperous city of more than 50,000 people.

Curiously, the U.S. has officially described the launch site as Tyuratam after high-altitude satellite observation that the base was close to a town of that name. Obligingly, just to keep nosey spies at least confused, the station serving Leninsk on the busy railway line linking Soviet Central Asia with European Russia is indeed called Tyuratam.

Chip run

The country, according to Bill Mustoe, ran out of potatoes recently, and for another two months the situation will not be back to normal. Mustoe is in a good position to know, being U.K. marketing manager of a private Canadian foods group, McCain, which a few years ago established a chip factory at Eastfield, Scarborough, which does most of its business with the catering trade.

The potato shortage and its effect on the chip is obvious. Reports in Yorkshire newspapers talked of many tons (enough to feed 8m. or 9m. people, they said, though only for one sitting presumably) being airlifted from Canada to beat the shortage.

Not quite right, claims Mustoe. What really happened is that McCain decided a while ago to order a lot of extra tonnage from Canada in order to fill an expected gap—while it builds a second processing plant near Peterborough. It may not have been quite the "beat-the-French-fried" famine operation it looked, but nevertheless four ships did bring in 6,000 tons of frozen chips to Hull and Avonmouth. Fortunately, for everyone, the overall shortage is "easing day by day," reports Mustoe.

Easy motoring

Another Monday morning brain-clearer, of a homely sort. This time, it is from "Application to Re-licence a Motor Vehicle" (form VE 1A as you probably already know); it is note 5(a) in the section on test certificates:

"In general, an effective test certificate must be sent or produced with this application if (1) the vehicle (a) was first registered, or (b) if not new when registered, was manufactured three years or more (or such shorter period as may be specified) before the licence applied for comes into force (see Note 3 (c)), and (2), the vehicle is taxed in any of the following classes: "bicycle"; "tricycle"; "private" (except vehicles over 30 cwt. unladen weight constructed exclusively for the carriage of goods); "goods" (except dual purpose vehicles over 2 tons, and other vehicles over 30 cwt. unladen weight)."

Observer

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FINANCIAL TIMES SURVEY
Monday July 21 1975

INVESTMENT SERVICES

The investment adviser has had to move rapidly to keep up with the events of the past year or so. Rapid inflation and the introduction of new forms of taxation have altered many of the criteria on which decisions were based. The problem of what to recommend to the investor has never been more difficult.

Adapting to new circumstances

GOING BACK about ten years the concept of investment services were almost non-existent, for it was then possible to view everything in watertight compartments. There were the accountants who advised on tax; the solicitors who dealt with legal matters; the stockbroker who managed the portfolio; the bank which handled current finances and perhaps trustee business; and a number of other ancillary people such as unit trust managers who gave the more entrepreneurial individual the chance to make more money than he might have done by conventional methods.

Even ten years ago this would have been a crude picture for there was a definite overlap between the various categories, but it is fair to say that the various independent sectors have become increasingly interdependent in recent years.

Putting a number of complicated developments into perspective, it seems that there are several major strands of recent development. First there is the overwhelming factor of inflation and — equally important—the currently more volatile characteristics of investment forms which had previously been considered a sure way of conserving capital and/or improving income over a "long-term" period. The obvious investments which fitted into this category are equities and property, both of which fell from grace in 1973/74 and which even now have not been fully rehabilitated as "safe" investments, where conservative investors are making the judgements. The corollary is that the average investor is now prepared to look at a much wider range of investments (the success of krugerrands was evidence of this) and expects his investment advisers to do the same.

Displeasure

In this respect the investment adviser has had to move rapidly with the times, for remaining committed to last year's investment media through thick or thin is the sure way to earn the displeasure of the modern investor. And there are other complications. Mitigating taxation was always a problem for the expert where large capital sums or high incomes were involved, but for many years there was at least a chance to get to know the rules gradually. Currently, the advent of Capital Transfer Tax and the prospective Wealth Tax has put everyone in a land of half-truths and near-guesses and even people who put themselves forward as professional advisers have been hard-pressed to keep pace. The third strand is that professional advisers have been eager for technical advice and the professional services departments of groups like banks, insurance companies and unit trust groups such as Save and Prosper and Schlesinger have been organised to provide this. Personal taxation has now become an intrinsic part of a complete investment service and frequently the traditional "men of affairs" such as family accountants and solicitors have been unable to keep pace with the swift changes of the past few years.

Increasing

The fourth strand is that while the requirements of the investor have been increasing, the costs involved in providing him with an efficient and "personal" service have been rising equally rapidly. The result is that the personal factor has been losing ground to efficiency, with the inevitable result that there is a growing concentration on "managed investments" in one form or other and a gradual increase in the influence of groups which claim to be able to provide total financial planning. This tends to mean the financial giants like the banks and established groups like Save and Prosper who have extended their activities from pure investment management to more complicated financial advice. This is only the general picture for there are many virile smaller groups, but the big battalions have the tide running for them since the scale of advice needed is difficult to provide for the "average" investor unless large institutions are involved which can obtain economies of scale.

The Cheapside branch of the Trustee Savings Bank.

The clearing banks typify this, along with the Trustee Savings Banks which have been showing a very real enthusiasm for breaking into the unit trust and life assurance field in line with the plans to become a "third" force in banking. Individual approaches may vary but the banks have been moving along broadly similar lines to develop their customer relationships and to sell more services. This starts at branch level where bank managers are encouraged to act as "contact" men—not necessarily being all-round experts in personal finance themselves, but having the resources of the bank to call on when faced with a problem. There has been a parallel development in the trustee departments which are now not nearly so faceless as once was the case.

Similarly insurance companies —even the traditional ones— are breaking out of their established roles and there is a discernible trend towards marketing a greater range of products designed for specific purposes rather than the blanket approach which once prevailed. They are also taking the job of regulating their agents more carefully and trying to get them to sell the products best suited to the client. The new commission arrangements proposed by the Life Offices Association may be criticised but are indicative of the will to give the customer a better deal.

Unit trust and many investment trust groups are also moving in the direction of becoming integrated financial service groups rather than purveyors of specific investment products. Save and Prosper, for example, can now provide the customer with anything from an annuity to a villa in Portugal and is geared up to provide detailed technical advice to individual professional advisers. It would now probably resent being bracketed as a pure unit trust group and the same goes for a number of others such as Hill Samuel, Henderson and Schlesinger. The latter, for example, pioneered the concept of a more individual service to the larger unit trust client, throwing in frequent reports, meetings with the managers and even some general financial planning advice if required. The concept has been successful and the interesting point is the appeal to other professional advisers such as stockbrokers.

Where stockbrokers, solicitors and accountants are concerned, there is an increasing ambiguity about the role they are expected to play in providing investment services. Stockbrokers often get hot under the collar when they are accused of neglecting private clients in the interests of their institutional customers, but they do find it difficult to provide a proper service to the individual unless the amounts involved are large or the firm is specifically geared to deal with private clients. For example, for overseas investments many firms have found it better to put their clients into overseas-orientated unit or investment trusts rather than trying to set up individual currency loans.

The same kind of considerations apply to accountants and solicitors who together form the greyest and least charted area of investment advice. The frequently-voiced suspicion is that they often do a less-than-adequate job in areas where they have no particular expertise and the obvious target for criticism is their role in the life assurance field where they collect commission payments for acting mostly as "link" men. But the established customs are difficult to break for business relationships in the commission sphere go back well into the last century.

The arguments about commission payments are strongly linked to the growing demands for higher standards and this is where the insurance brokers tend to be right in the firing line —the most recent development being the working party formed by the leading brokers' associations to introduce universally applicable minimum standards. This has the Government's blessing. But commissions are a more difficult problem since, while it might seem logical for clients to pay for independent advice, they have never been used to doing so. It is difficult to tell how successful recent trends to switch to a fee-paying basis (notably Sedgewick Forbes) for financial planning have been. The most likely conclusion is probably that while it may work for the large client it is difficult to put into practice where the smaller man is concerned who often requires to be "sold" the idea of acting in his own best interests rather than coming forward of his own accord.

Difficulty

Lastly, there is the growing difficulty of identification which the customer faces as the number of investment products grow to bewildering proportions. Compared with a decade ago where the essential choice was between equity and fixed interest investment, the customer is now besieged on all sides by bonds of every description, complicated tax schemes, school fee plans—plus as many "alternative" investments as he can imagine, encompassing commodities, diamonds, forestry and agricultural land. He can even bet on the price of gold if he uses one recently-launched investment service. But he not only has the problem of choosing the right investments, but also of assessing whether the managers are capable of providing the right sort of expertise—and sometimes even judging their honesty. Investment has come a long way since the Department of Trade first started to police unit trusts, but the rules have not kept pace.

Christopher Hill

The confidence of the middle income investor has been severely shaken by events during the past couple of years, events which have encouraged many potential investors to take a closer look at what is available and at the probable returns on capital.

Middle income groups

ONE OF the more unfortunate facts of life is that the more money one has, the easier it becomes to secure the best advice in order both to increase it and to keep as much as possible out of the clutches of the tax man. The rich are still certain of being welcomed at the doors of merchant banks—although the thresholds may be higher than they used to be—and can afford to make it worthwhile for well-paid tax advisers to play complicated games with the Inland Revenue. But the people who have the most difficulty in finding the right kind of advice are those with modest amounts of capital and/or a reasonably high level of income. They often have existing or potential financial problems without realising it, for although they may be experts in their own jobs, they frequently lack any kind of financial sophistication beyond the ability to buy a house or take out a run-of-the-mill insurance policy.

Uneasy

But the events of the past year or two have aroused even the most carefree people to the uneasy awareness that they may have problems. Perhaps the most significant events in this context were the failures of Nation Life and London Indemnity and General, which let thousands of ordinary people know that guaranteed income bonds were not all the same and that the highest rate of "tax-free" interest was not an automatic passport to forgetting one's financial worries. In particular there was a good deal of criticism of agents who gave commission-influenced advice and genuine surprise at the holier-than-thou attitudes of the "honest" brokers and insurance companies. When one has taken the wrong advice from a mercenary agent there is nothing more galling to be told that one should have gone to someone better—especially when there are no clear guidelines as to how to find someone better.

As well as the relatively new feeling of distrust, the middle-of-the-road investor was gradually made aware last year that the trough in the U.K. stockmarket was much deeper than others in recent memory and that if he made a spot assessment of his fortunes he was liable to be worth a good deal less on paper than he was before. This did not lead to a panic exodus out of unit trusts and property bonds — the steep rise in share exchange schemes whereby people exchange their private portfolios for units suggests the opposite where unit trusts are concerned. But few people are convinced any longer that they can let investment matters drift without coming to any great harm or that they can afford to ignore tax considerations.

Increased taxes and the basic changes in the tax legislation are making a substantial difference to the type of advice which the "middling rich" need. On the one hand there is the simple fact that many people now find that their incomes have been inflated into the higher rate tax bands, and this makes a big difference to the types of investment they should choose. If one is paying higher rate tax there is less reason to want income, so bank deposits, building societies, local authority loans and higher yielding shares and unit trusts become less desirable. On the other hand, shares or unit trusts with low yields and higher capital gains potential become more attractive, as do low-yielding gilts, higher mortgages and life assurance, which attract tax relief. Similarly, many people who one might not consider wealthy find themselves in a quandry about CTT, wealth tax and discretionary trusts, which no longer serve the purpose for which they were originally constructed.

Unfortunately many people do not react instantly to changed circumstances, and one of the easiest ways to sell a financial product is still to offer a high income, which attracts investors who may well pay away a large proportion to the Inland Revenue at a later stage. Apart from the element of inertia, I have also found that many more active investors tend to be attracted by the popular investment media of the day and end up after five or six years with a rag-bag of products—which, although some may still be valid, often leave the investor in a worse position than if he had left the lot with the building society. Obviously it is a question of co-ordination and planning, but one returns once more to the difficulty of obtaining planning on an independent and continuous basis.

Judgment

The truth is that the world is still less than ideal from this viewpoint, and the man in the middle bracket still has to work harder on his own behalf and to some extent exercise his own judgment. It is easier, however, to get "one-off" advice than a monitoring service. Looking at the recent EAG Business Research Study on Personal Savings and Wealth in Britain, the survey there on knowledge and use of the market (taking stocks and shares as an example) shows that a third of the sample named newspaper comments as their method of taking a buying decision, followed by advice from bank managers or advice from brokers. There also seemed to be a relatively high degree of satisfaction with the advice received. But where other products are concerned, advice tends to come from far more wide-ranging sources, including life assurance salesmen, insurance brokers, solicitors and accountants, who all view the world from their respective windows and who generally have something to sell (the first two categories, at least).

In my experience the best chance one has of securing a measure of all-round advice if one falls some way short of being wealthy is to place the investment management of one's assets in the hands of an organisation with the capability of providing this advice. One should not expect miracles, however, for the assets are liable to end up in a fund or funds rather than being managed on an individual basis, and one cannot expect to ring up the manager for on-the-spot advice all the time. This tends to be the bane of the financial planner's life and is why they tend to be less anxious to take on the smaller man. The latter usually worries more and becomes more suspicious once he has woken up to his problems than the wealthier man who can afford to take a more equable view.

There are relatively few organisations which can really offer all-round advice to the middle-income man, for even those with the capability such as Henderson and Minet Financial Planning are really aiming one degree higher. But many more, such as Hill Samuel and Schlesinger, are prepared to work in close accord with the individual's existing financial adviser — steering him in the right planning direction and letting him do the donkey work.

Where the typical individual is concerned one cannot help feeling that the banks, with their branch network, trust divisions and existing customer relationships, have a great opportunity to extend their services in the financial planning area for the "middling-rich." They are already amplifying their insurance and tax-advisory services, the only drawback being that they obviously stick to the straight and narrow; and if one requires complicated frills one has to look elsewhere.

Christopher Hill

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How many ways can Save & Prosper help you?

We can help you achieve many of your financial objectives more easily through our exceptionally wide range of investment services. These can be used for the management of existing capital or for regular saving out of income.

Our range of investment funds covers equities, property, fixed-interest securities and deposits. And the other services we offer include ways of transferring capital to children or grandchildren, the provision of pensions and school fees, and ways of increasing income after retirement.

700,000 people have investments with us and we now manage around £600 million on their behalf, making us one of Britain's leading investment services organisations.

MANAGING YOUR CAPITAL

The 26 Save & Prosper Group funds give you access to the four main investment media—equities, property, fixed-interest securities and deposits—and cover most portfolio requirements.

Unit trusts Through our wide range of unit trusts you can acquire a well-diversified equity portfolio constructed to meet your particular needs, giving you the benefits of a spread of risk and certain capital gains tax advantages as compared with direct equity investment.

First, there are the broadly-based funds which provide a complete basic equity portfolio with no particular specialisation.

All of these funds can invest on a world wide basis. However, those funds which have an income objective are in practice largely invested in the U.K.

Secondly, there are those funds that concentrate on specific investment situations.

Some of these invest in specific geographic areas such as the U.K., Japan, the United States and Europe.

Others invest in specific international investment sectors such as energy, finance, and commodities.

Investment bond This is a single premium life insurance policy through which you can get the benefits of investment in any of 26 of our funds.

You can link a bond to property through the Property Fund, or to a balanced combination of the four main investment media through the Balanced Investment Fund.

Also available are the 23 unit trusts for equity investment and a Deposit Fund which is intended as a short-term haven in times of uncertainty.

In addition to the wide range of funds available, this bond also gives you the right to transfer between funds at any time at a substantial discount on normal costs. This gives you the important flexibility of being able to adjust your bond to take account of changing conditions.

There is also a withdrawal facility which enables you to withdraw between 4% and 8% of your original investment each year. Up to 5% can be withdrawn for each of the first twenty years free of all income tax at the time. Although these withdrawals are taken into account when the bond is finally encashed, this 5% 'tax-free allowance' can be of particular value to higher-rate tax payers.

Guaranteed Income Plan We are currently offering a Two-year Guaranteed Income Plan that gives 8¼% net of basic rate tax at 35%, with full return of capital at the end of two years or on earlier death.

Exchanging shares The Share Exchange Plan enables you to exchange stocks and shares (minimum deal £500) on favourable terms for a unit trust holding or an investment bond.

You can often obtain a higher price for your shares than you would get on the market, and you can also save on dealing expenses.

BUILDING UP CAPITAL

Regular investment out of income is one of the best ways of building up capital since you avoid the difficulties of when to invest. As your money buys more units when prices are low and fewer when prices are high, you buy units at a lower average cost and you can thereby turn stock market *fluctuations to your advantage.*

The Save-Insure-and-Prosper-Plan is designed for building up an investment in one of our funds through regular monthly saving over a period of 10 years or more. The Plan provides automatic life insurance protection, and each contribution is eligible for income tax relief, currently of 17½%.

The Flexible Investment Plan is designed for investors who wish to build up an investment in a number of our funds through investing £250 or more each year. There is scope for pursuing an active investment policy as an investment can be transferred from one fund to another at any time and at a substantial discount on normal costs. Again, automatic life insurance cover is provided and each contribution is eligible for income tax relief.

The Monthly Investment Plan is for people who wish to invest a regular amount in a unit trust with no commitment to a long-term contract. The Plan is especially useful if you wish to commit capital to equity investment by a number of instalments rather than as a single investment.

PASSING CAPITAL TO YOUR CHILDREN

With Capital Transfer Tax it will be more difficult to pass substantial sums of money to your children or grandchildren.

However, important exemptions are allowed. These enable both you and your wife each to transfer at least £1,000 a year to them free of this tax. Making use of these exemptions each year can be compared to claiming a tax allowance, and we can help you do this in a number of ways depending on whether you wish to make a planned series of transfers or the occasional single gift.

First, a **Flexible Investment Plan** enables you to build up an investment over 10 years or more, in trust for your children.

Secondly, a **Whole Life Protection Policy** written in trust enables them to receive a sum of money that can be put towards meeting the tax liability on what they inherit from you.

In both these cases you will have the satisfaction of knowing that your children, whatever their age, can eventually receive a substantial sum of money, free of personal tax. Also you will be eligible for income tax relief on each contribution.

We can offer you two ways in which to make the occasional single gift.

First, an **Investment Bond**, written in trust, is a suitable way of giving a gift to a child under 25, and of keeping it under the legal control of a trustee appointed by you.

Secondly, a gift of units in a **Unit Trust** can be made in an account designated with the child's initials. This is the simplest form of gift.

MEETING THE COST OF SCHOOL FEES

We have two plans which can significantly reduce the burden of school fees. The **School Fees Income Plan** enables you to spread the cost by making regular contributions out of income, and the **School Fees Capital Plan** enables you to reduce the cost by investing a single capital sum before the child goes to school. Both Plans produce a guaranteed amount of school fee payments free of all personal income tax liability, which makes them of particular value to higher-rate tax payers.

PROVIDING FOR RETIREMENT

We offer three pension schemes, for self-employed people, for directors and key executives, and for employees of small companies.

The Self-Employed Pension Scheme consists of two plans which together meet the complete pension needs of the self-employed. The Guaranteed Plan provides a known amount of pension in return for each contribution, whilst the Investment Plan provides a pension based on the investment performance up to retirement age of a tax-exempt equity or property fund. All contributions are eligible for full income tax relief.

The Executive Pension Scheme is designed for directors and key executives and takes full advantage of the tax relief given by the Inland Revenue on company and individual contributions. The Scheme allows considerable flexibility in the amount of these contributions which means to a large extent you can determine the size of your pension.

The Company Pension Scheme is designed for small companies wishing to provide their employees with a pension scheme that is administratively straightforward to operate and at a cost that can be controlled by the employer.

INCREASING YOUR INCOME AFTER RETIREMENT

If you are retired there are two ways we can help you to supplement your income.

The House-Owner's Retirement Income Scheme enables single or widowed people over 65, or married couples over 70, to take advantage of the value of their home to provide an *extra income for life.* This does not involve selling the home or losing the freedom to move at any time.

We also offer a complete range of **Immediate Annuities** which provide a high regular income either for life or for a fixed period.

PROVIDING FOR YOUR FAMILY'S SECURITY

The Whole Life Protection Policy offers an effective way of providing a substantial sum on death for your family's financial security. The policy can be used either to provide for your spouse or to provide your children or grandchildren with a capital sum on your death or on that of your spouse. Premiums are eligible for income tax relief, which can substantially reduce the cost of providing for your family's future security.

Your next step

You can read about our investment services in our booklets. To obtain any of particular interest to you, simply complete and return the coupon opposite.

You can deal through your usual professional adviser—bank manager, insurance broker, accountant, solicitor or stockbroker—whose advice you may well wish to seek before making a decision. Professional advisers should contact Save & Prosper Services on 01-831 7601. This is the company specially set up to provide them with information and guidance on how our services can help in all aspects of financial planning.

Alternatively, you can deal directly with us either through one of our representatives who would be pleased to visit you to discuss your requirements, or by telephone or post through our Customer Services Department.

REQUEST FOR FURTHER INFORMATION

To: Customer Services, Save & Prosper Group, 4 Great St. Helens, London EC3P 3EP. Telephone: 01-554 8899.

I am interested in the Save & Prosper investment services I have listed below.

Please tick appropriate box

Please send me booklets about them. ☐

Please ask one of your representatives to telephone me to arrange a meeting. (Telephone:) ☐

Name (Mr./Mrs./Miss)

Address

Not applicable to Eire

Member of the Association of Unit Trust Managers and Life Offices Association.

How many ways can Save & Prosper help you?

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SAVE & PROSPER GROUP

INVESTMENT SERVICES IV

In recent years the major clearing banks have begun to pay more attention to the facilities they provide for the small investor. Trust departments will look after a client's portfolio, and the bank manager is still an under-utilised source of investment advice.

Clearing banks

THE WILD fluctuations of stock market trends in the past 12 months or so have made it extremely difficult for investors to handle their own portfolios with much, if any, degree of success. For the large investor —those with upwards of £100,000 to invest—the obvious alternative is to employ the services of a professional investment manager, such as those belonging to a stockbroking firm, a merchant bank or a specialist investment management company.

For the smaller investor, however, the range of alternatives is far more restricted. This is because any investment manager, in order to be proficient, must spend a great deal of time in researching the potential of each individual portfolio. It would be unrealistic, therefore, for many of these specialists, who may also have much of their time taken up with handling the funds of large institutions, to spend very much time on a portfolio which might produce an investment manager's fee of no more than £500 per year.

For many years the smaller investor has been forced to rely almost entirely on unit trusts as the safest way of investing his money in the stock markets, or he has had no choice but to seek the counsel of the local branch manager of his clearing bank. This latter course was often unsatisfactory. Investment management is a highly specialised business which requires extensive knowledge of the investment scene as well as a great deal of time for research. Thus, the investment advice supplied by bank managers can only be very limited and is usually of a conservative nature.

However, in recent years the big four clearing banks, Lloyds, Barclays, National Westminster and Midland have recognised that there is a need for more specialised guidance at the lower end of the investment scale and each has developed facilities to deal with this. Each bank has created a trust department which employs several investment managers who will take full charge of a client's investment portfolio.

All the banks stress that the conditions under which they will undertake to act as investment managers are not inflexible. This is illustrated by the fact that while many of the independent portfolio management firms insist on assuming full discretion for the investments, the clearing banks do not. They will usually advise a client that it is preferable for an investment manager to have a full discretion but they are prepared also to report to the client and discuss any proposed changes in the portfolio.

Client

The investment services provided by each of the big four do not differ very much. In each case a prospective client will sign an agreement—either an investment management agreement or a Letter of Request — which instructs the investment manager to assume responsibility for the investments and lays down any conditions which the client wishes to be followed. These will normally concern the amount of involvement in his investments which the client wishes to retain and will also say just how often the client wishes to be informed of his portfolio's progress. The normal procedure at all of the banks is to make quarterly reports to clients.

The basis of levying charges for these services differs slightly from bank to bank. For Barclays and NatWest the charge is £3 per £1,000. For Midland it is £2.50 per £1,000 and for Lloyds £5 per £1,000. All four claim that their minimum acceptance level is not rigid but the minimum charges are set in such a way that in the case of Barclays, Lloyds and NatWest, clients with less than £20,000 would probably find the cost of the services too expensive. Midland's services have really been designed for the investor with a portfolio valued at upwards of £10,000.

The charges of the clearing banks in fact provide the first point of comparison between their services and those that can be obtained through merchant banks. The charges of the latter also vary from one concern to another, but the basis of calculating them is roughly the same and on a minimum portfolio of £100,000 the charges tend to vary from £500 per annum to £1,000.

This shows that even for the larger investor the services of the clearing banks could be less expensive, though of course it must be highly questionable when dealing with figures of £100,000 whether a small cost saving is a very important consideration. For a large investor the fact that it is very difficult to obtain any information on the past success of a clearing bank's portfolio management services is probably of far greater importance. Whereas virtually all other investment management firms can supply some statistical evidence of their competence the clearing banks appear to rely entirely on the strength of their reputations to encourage clients to use their services.

The clearing banks however, do have some advantages over other investment managers. In order for any investment manager to act entirely in his client's best interest it is necessary for him to have an overall knowledge of the client's financial situation. This means that when making investment decisions he can take full account of his tax and estate duty position. A clearing bank is of course in an extremely good position to acquire this knowledge.

Useful

The traditional role of the bank manager is very useful in this context, in that the local branch manager who usually provides the first point of contact between the client and the investment managers is normally already conversant with most aspects of his client's finances. Each of the major clearers has developed its trust operations so that it is able to give guidance not only on investment in the stock market but also on pension benefits, taxation and estate duty planning. This advice can of course be provided from a wide variety of other sources, but the advantage of the clearing banks is that they are able to maintain a very close relationship between each of their specialist departments.

Perhaps the most important development in this area of investment services in the past few years was the launching by Barclaytrust of its Money Doctor Service. This was designed specifically for the middle income groups. If a client wishes to avail himself of the Money Doctor services he can obtain a questionnaire from Barclaytrust on which he will be asked to give full details of his financial position, marital status, offspring, and investments. In the words of its own brochure, "the aim of the Money Doctor is to help people to organise their financial affairs to the best advantage."

This really appears to be no more than an extension of the traditional role of the local branch manager and that may be why Barclays is the only one of the four majors which has felt it necessary to start such an operation so far. As mentioned before, bank managers are in a good position to give advice on most aspects of their clients' financial affairs and can often provide the link to more specialised guidance. However, it is a fact that only a few people ever fully avail themselves of the free advice which can be obtained from these sources. Indeed, very few people actually know their local branch managers. It seems therefore, that the full range of services which can be made available through any of the leading clearing banks still needs much greater promotion and publicity before the real merits of them can be judged against those available elsewhere.

Tom Kyte

Extel statistical services cover the U.K. quoted, unquoted and overseas companies and can provide all the background information to a company that is needed. A machine such as this can provide continual updating of records.

Forecasting which way the market is likely to move is always a fairly speculative operation, but London has achieved a high reputation for the reliability of its statistical services. A vast amount of material is produced but there are still a few gaps to be filled.

Statistical services

WHEN it comes down to statistical services offered to institutions and, to a lesser extent, large private clients, on the Stock Market and quoted companies, those in London are second to none. Generally speaking the quality, if not quantity, could not be bettered in Wall Street, Germany or Japan, but that is not to say that the services offered are not without shortcomings.

The amount of man hours spent within the City and the provinces on research following U.K. and overseas companies and markets is massive and, unfortunately, quite a slice of it fruitless. The work by stock brokers is perhaps a case in point, because much of it never leaves the office of origin as it will not generate business. Nevertheless, even if reports are not circularised the information gained from the work is available should an institution require it.

Unless they are part of a regular service or bulletin, brokers' reports usually contain a recommendation to take action on the shares, usually a buy, otherwise the work involved accrues no monetary gain. Perhaps this is taking an over cynical line, because any research work generated and offered to institutional clients must create a sense of good will and promote a better working relationship. Of course some services do not fall into the category of what one could call "opportunistic" research. For example, regular update works to coverages offered by the larger brokers in their equity binders, such as those from Wood Mackenzie, Hoare and Co., Govett and Phillips and Drew, are continuous services.

Specialising

There are many other examples of brokers specialising in particular fields and producing regular updating works. Even smaller brokers fall into this category, perhaps because as one broker stated "You have to specialise in at least one field or the rest of your more general equity and market recommendations are never taken seriously."

Into another category falls the type of statistical service provided by Datastream International, a computer operation covering statistical information on U.K. quoted companies and price performance information, which is available on stream via a terminal in the clients' own office.

Outside these fields there is, of course, an equally great amount of statistical research carried out by institutions for their own use. Similarly the jobbers have there own research departments on the sectors in which they deal but again this information is strictly for internal use, and understandably is market oriented anyway.

Thus, with this amount of research available coverage should be quite adequate of all companies but this is not necessarily so as most of the smaller quoted companies fall by the wayside when it comes to research. The reasons are quite obvious. From the broker's point of view there is no point in wasting time looking at companies where the market capitalisation is so small or the market so thin that interest by institutions could not be generated. From the institutions' point of view they want to become involved in companies where the shares are marketable, and do not want a mass of tiny shareholdings where any buying or selling upsets the share price dramatically.

Chartism, basically a U.S. idea, is another form of statistical service that is gaining prominence in Britain. A simplistic view of what the chartist does is that he keeps accurate records of price movements and examines them, obviously on a chart, until discernible trends appear. The concept revolves around the principle that patterns which emerge are repeated and if the chartist is of sufficient experience he will be able to spot when the patterns are reappearing and in theory therefore he will know when to sell or buy a share.

In the U.K. there are three specialist chart firms of this type: Investment Research of Cambridge established at the end of the last war, Chart Analysis founded about 1969 and Investors Bulletin, which differs from the other two in that it combines chart analysis with fundamental research, therefore steering a course somewhere between the two schools of thought from the chartists and fundamentalists.

Many offices in the City employ chartists and use chart or technical analysis, but the reliance on such prediction varies. Obviously it involves a lot of faith to invest on a chartist's prediction, ignoring all the fundamental analysis drummed in for years, but many include the work of chartists along with the work of more traditional investment analysis.

Standard practices have come into question by many, and the amount of time spent of research (and its cost) is considered by some to have been a waste of time. The technical analysts or chartists have gained ground while the City sits back and takes a look at the direction research has taken and whether the old-time fundamentals still have a bearing; certainly earnings and the relatively new p/e's have lost their prominence.

Whether the City can take a complete change in investment thinking is hard to imagine, but without doubt the technical man is gaining in importance. It is, in a way, going back to tangible evidence and working back from the evidence to the root cause of a swing in a particular sector, rather than attempting to formulate intangibles and forecast their influence on how a sector will behave.

Forecasting what the market will do is always speculative, however, and no one really has found the answer, mainly because there are so many factors to be taken into account before attempting to define what intangibles can arise to upset the balance of a forecast. Analytical research on companies has, on the other hand, generally been excellent. There is always the odd result that catches the market on the wrong foot but normally the analysts have a good idea of what is going on. This is really the area where research has improved a great deal over the past decade and U.K. analysts have shown up well.

Background

On pure statistical services used by all involved in equity research, which is just as readily available to the public, the Exchange Telegraph Service. Moodies or in a somewhat different vein McCarthys provide a whole host of work. For example, the Extel statistical services covering the U.K. quoted, unquoted and overseas companies, provides all the background to a company that one needs, including profit records, balance sheets, past price performances, general information on group activities and dividends; and the news cards provide a continual update to the annual card.

There seems one area, that has attracted a great deal of publicity which, in the U.K., at least, appears under-researched: commodities. Much interest was stimulated in recent months by hefty price movements and shortages, which must have caught the eye of institutional investors. Generally speaking, however, little published work of a technical nature has been offered, a surprising fact considering the amount of money involved in commodity markets.

Chart Analysis has produced tables, and specialised publications cover individual commodities, but generally there is a considerable lack of information available. Obviously in part this is a reflection on the enormity of monitoring a commodity such as sugar, produced in many parts of the world and consumed in all countries. With this sort of background statistical analysis cannot keep pace and monitoring becomes guesswork. This is particularly true when no data are available from producers such as the USSR, thought to be growing something like 30 per cent. of the world's output of wheat. Any work at all seems to emanate from the U.S. The most reliable is the department of agriculture, so there is obviously some scope for similar work in the U.K., but because of the specialised nature of commodity trading there is little opportunity for private investors to become involved.

Terry Garrett

Both the smaller investor and the wealthy client can look to the major merchant banks, although each tends to concentrate on a particular sector. Many of the merchant banks also manage investment trusts, pension funds, charities and companies.

Merchant banks

MERCHANT BANKS loom large in the investment services business, their influence stretching from the smaller investor—via unit trust and life assurance subsidiaries—up to the very wealthy clients who can afford to pay for a more bespoke service. Many also manage investment trusts and the investment portfolios of pension funds, charities and companies.

Most of the major merchant banks are active in all of the fields mentioned, the only difference between them being the emphasis on the various divisions. Hill Samuel, for example, is very heavy at the pension fund end; out of total funds under management of £700-£750m. roughly £450m. is pensions. *Insurance funds* and private clients account for £100m. apiece, with unit trusts standing in at about £75m.

Schroder, too, is heavy in pensions, having been something of a pioneer in this particular area; pension funds total £525m. out of £1,000m. Of the remainder, charities are £90m., company portfolios £130m., international clients £70m., investment trusts £95m., unit trusts £88m., property £9m. and private clients £59m.

Different

The picture at Slater Walker, however, is quite different with unit trusts far and away the largest component, accounting *for roughly two-thirds of total* funds of £300m.; this emphasis is relatively new and reflects the acquisition of the National *Group and Jessel* unit trust management. At Hambros, pension funds and unit trusts are roughly on a par at £160m. apiece, with investment trusts of £100m. and private clients at a little over £30m. Charterhouse's investment funds are split almost equally between corporate and private funds.

Most of the merchant banks are agreed that the most fertile area for swelling funds under management is pensions and it is no secret that competition is very fierce indeed. The reasons are fairly obvious. First, inflation *alone will ensure that the size of funds will increase* as companies improve benefits and contributions rise in line with large salary increases. And *there is the* added attraction from the banks' point of view of having regular and reliable chunks of cash arriving each month. There is no doubt, however, that companies are becoming more discerning and more critical of performance; and whereas portfolios at one time tended to remain where they were originally placed this is now no longer the case. So in the certain knowledge that funds are likely to disappear if performance is not up to scratch, this must keep the investment managers on their toes and, over the long term anyway, be good for the beneficiaries.

One area where it is difficult to be too precise is in the private client business. Quite a few banks will not accept clients under £500,000, or even £1m. in some cases, on the basis that they are too costly to operate. Others will take clients on with as little as £50,000, provided the managers have discretion. The actual standards of service of course differ, too. Some banks offer a "full service"—for example, tax planning, money management (in its widest sense) plus the options of other, more diverse, forms of investment—and do not venture beyond putting clients' funds into equities, cash, gilts and, if pushed, Krugerrands. Hambros would be a typical example of the latter, never having actually gone very strongly for private client business. Charterhouse, on the other hand, prides itself on the very close relationship it has with most of its clients and its ability to provide virtually any service down to the purchase of coins and *stamps for investment purposes*: for the record, it is also one of the smaller banks.

Collapse

From the public's point of view, the last bear market—widely held to be the most vicious for decades, if not ever—plus the collapse of the property market and the demise of a few of "secondary banks," has changed a number of attitudes and investment appetites. Without exception, the merchant banks are detecting a much more international flavour in investment requirements. People no longer wish to commit a large chunk of their funds to the domestic *market. The economic ills* currently present in the U.K. are well known and investors are asking for overseas shares or shares in U.K. companies which have large overseas interests. The only difficulties in this are (a) the extremely high level of the investment dollar premium and (b) the now well-known problems of operating through dollar and multi-currency loans. However, it would be fair to say that many of the banks have had to adapt their investment departments to cope with this demand.

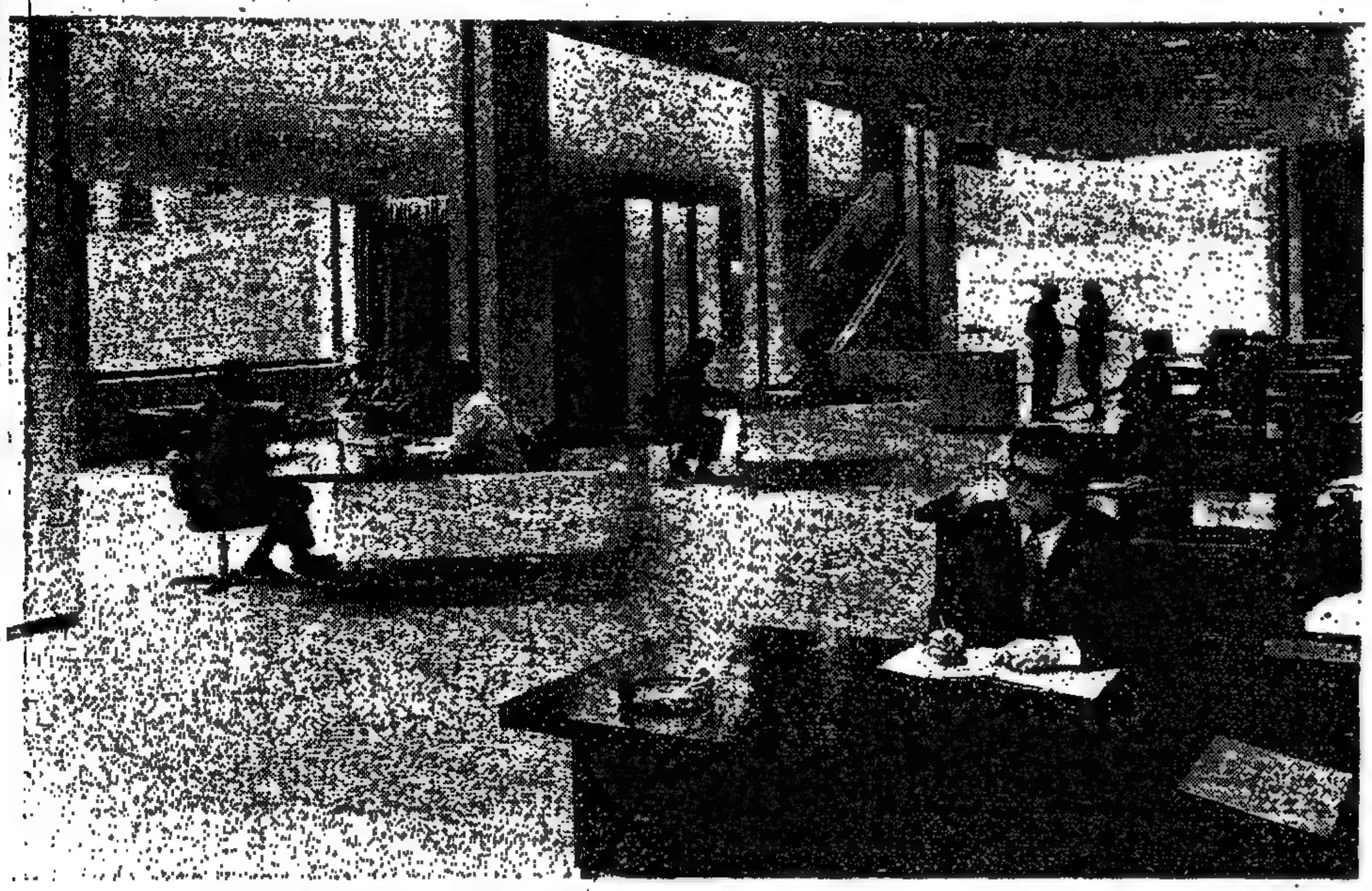
Another noticeable trend has been the *gradual* trading down in the range of services provided by merchant banks over the years. The formation of unit trusts and life assurance subsidiaries which, almost by definition, appeal to the mass market rather than to the wealthy client are the best evidence of this. There have also been valiant attempts to bridge the gulf between the top and bottom of the investment market and service the middle ground. Hill Samuel created its Personal Financial Service for those people with over £20,000 and up to £100,000: *in other* words, those with sufficient cash to expect a little extra but with not enough to warrant a personalised service from a merchant bank.

The portfolios are given a high unit trust content; from £20,000-£50,000 sized portfolios this element would be up to 50 per cent., and above £50,000 the unit trust content would reduce. The fee is split into two parts: (a) administration at £100 per annum, or £150 for non-discretion and (b) an investment management fee which is only charged on the straight equity, non-unit trust portion. The use of unit trusts, of course, greatly reduces the overhead costs so that a full service, some*what akin to the standard* the wealthy client can expect, is possible. Clients are provided with quarterly statements and receive six monthly valuations and all contract notes. Dividends are collected and clients are presented with one master tax voucher to hand over to the Inland Revenue at the end of the financial year. At the outset, *a client's requirements are* determined and an appropriate investment formula is applied.

This particular niche has been traditionally occupied by the solicitor and accountant and it is not the easiest of tasks to *wrest control from another pro*fessional group without seeming a poacher. However, HS maintains that quite often they actually work with a client to avoid friction and to date the bank has 400 clients taking this service. In retrospect, of course, there could have been a better launch date than May, 1972, just prior to the dawn of the bear market.

This, then, is a classic example of how the banks are moving into other areas, presumably as much through force of circumstances as anything else. It also illustrates the innovative side *of the merchant banks.*

Keith Lewis



The ground floor banking hall at Hill Samuel's offices in Birmingham.

The rapidly changing economic, political and monetary requirements are making it increasingly difficult for the traditional advisers, especially the solicitor and accountant, to work out a suitable portfolio for the particular needs of a private individual.

Traditional advice

GALLOPING inflation coupled with high interest rates and extremely volatile equity markets has if nothing else given investors a greater awareness to protect capital values. As such this has led to a more positive approach to financial planning involving a more flexible and wider range of investments. In the past the private individual would normally call on *the traditional* advisers such as the solicitor, accountant or stockbroker to work out a suitable portfolio to meet his particular *needs. But these* traditional advisers, especially the solicitor and accountant, are now finding it increasingly difficult to give this *service to* clients.

Specialist

The difficulty arises from their inability to keep abreast with the rapidly changing economic, political and monetary requirements. Extra specialist staff would need to be employed before the *solicitor/accountant* could offer the client the regular all-round investment service that is now clearly needed. For the likes of the solicitor/accountant, however, investment advice is only a peripheral service and as *such it would not* be practical for them to specialise in such matters as capital gains tax, capital transfer tax and numerous other investment problems. This would naturally hit the smaller provincial solicitor/accountant hard but even the sizeable London firms are now feeling the pinch in all but the larger accounts and are being *forced* to pass on business to the various specialist investment service companies that have been formed to fill the gap left by the *traditional* advisers.

The need to employ specialist staff to meet the requirements of changing *legislation is only* part of the story behind the swing away from the traditional investment advisers. Costs are escalating at a staggering rate and even staff for the more routine tasks are expensive, not to mention the fact that they are often difficult to obtain. As such investment management for the solicitor or accountant is rarely profitable unless he is handling large amounts. Even then there are problems for larger portfolios involve continued study.

This is particularly the case for the solicitor or accountant that is responsible for a trust. *Because of the* time taken up by constant revision of the trust the trustee would normally, on the advice of the stockbroker, place the funds *in a limited* number of securities which would probably only be reviewed once a year. As has already been pointed out volatile markets on the back of high inflation and changing legislation *call for* a portfolio or trust to be regularly serviced.

With the beneficiaries suffering from the cost pressures on the solicitor and *accountant* more and more business has been given up by the traditional advisers in their clients' best interests. On the trustee side the clearing banks and the merchant banks have been *quick to cash* in on the opportunity. The banks have set up separate trustee departments to give the comprehensive service that is now required. *They are* prepared to be appointed trustee of an existing trust, either in place of, or together with the existing trustee, as well as setting up new trusts.

The fees charged by the banks vary considerably depending on the service required. As such it would be *in* the best interest *of the beneficiary if some* shopping around is carried out to find the most acceptable terms to fit his particular needs.

Pointless

Of course this service is fine if the solicitor or accountant is of the opinion that it is pointless in keeping the business on the grounds that it is unprofitable and not in the client's best interest. But many still believe that it is in their best interests to keep up their trustee and *financial planning* activities because they feel that it helps to maintain normal business. As such they are reluctant to pass *on this particular facet of their* business to an outside third party.

Hill Samuel has been one *specialist* investment company that has sought to work with the likes of the solicitor rather than eliminate them, purely to cater for those that are reluctant to lose the business but at the same time accept the need for *outside specialist* advice.

Hill Samuel's service involves the investment policies and administration of the trust while the *solicitor/accountant* remains trustee. The trustee would be kept informed of all developments who in turn would continue his relationship with the client.

Working in harmony with the hard pressed traditional adviser rather than trying to eliminate them, would on the face of it seem the most sensible and fair *solution to the problem.* Certainly Save and Prosper has adopted this principle on the straight investment requirements.

Through its subsidiary, Save and Prosper Services, it has endeavoured to work with the traditional advisers to the extent that they have published a pro*fessional advisers guide.* This guide has been designed to give the information and guidance on how their clients can get the *best* advantage from tax, legal insurance and investment situations prevailing at any moment. As legislation changes so supplementary publications are sent out to keep the advisers on the ball.

By providing a centre for information — a direct telephone link is also provided — traditional advisers can just check on what particular legislation will affect their client or if need be they can be given a selection of investments or investment vehicles that will fit the bill. This service is given free of charge although in most cases the investments suggested are in the Save and Prosper range.

Such highly technical matters as the provision for children in the event of capital transfer tax and the provision for the payment of future school fees are two examples of areas that S and P has paid particular attention to and where a number of inquiries have been received.

The fact that both S and P and Hill Samuel among others have received a significant amount of business from these traditional advisers only goes to show that while the solicitor/*accountant* accepts the *need* to take specialist advice they are still reluctant to give the business up altogether. Rising costs, however, remain a problem and it is this factor that will determine just how long the traditional advisers can continue to offer some investment service, albeit with the help of outside specialists.

David Wright

INVESTMENT SERVICES VI

Life assurance has undergone a significant change in emphasis, for most investors are now concerned more about the savings potential rather than simply an insurance against death. This involves the insurance broker having a much more detailed knowledge of investment conditions than ever before.

Insurance brokers

LIFE ASSURANCE is sold, not bought. This is a common adage in the life assurance industry. But the people doing the selling—the insurance brokers among them—need to have a more detailed knowledge of investment conditions than ever before if they are to be able to give advice to their clients.

The emphasis on life assurance selling has moved very much away from protection—insurance against death—to the savings aspects of life policies—insurance against survival. The actuarial tables show that until the investor reaches old age it is odds-on survival. It was the unit-linked life companies which were chiefly responsible for bringing about this change by offering the investor a wide range of products from which to make his choice.

An insurance broker wishing to provide a complete service has found that his role in selling life assurance has expanded over the past decade far beyond what was previously envisaged. In addition to assessing the protection requirements of his clients, he now has to judge the relative merits of equity, property and fixed-interest linked policies and how to combine these.

With traditional life companies, the broker could compare the investment merits of various with-profit endowment assurances by projecting the current bonus rates to maturity. It is doubtful whether he delved much into the underlying investment philosophies of the life company, for sooner or later the results would be reflected in the bonus rates.

Unit-linked contracts pose a very different pattern of investigations. Timing is all important, especially when cashing-in the contract, and the rapid movement in the equity market over the past 18 months has highlighted the importance of timing. With traditional contracts a variation in a month or two in maturity makes little difference to the maturity value. For a unit-linked contract it could result in a considerable loss or gain.

Judging the relative merits of the various media is a difficult task which the expert investment analysts have been known to get wrong on more than one occasion. Yet the insurance broker must be able to place the facts before his client so that the latter can make the ultimate decision. But when this has been made, choosing the company can present further problems.

The past performance of a unit-linked company can provide a guide to the investment management capabilities of the life company, but nothing more. The broker has to get inside a company and make an in-depth appraisal of the investment manager and his philosophy. This could be a formidable task for the broker, yet one that should be done before framing his advice.

It has always been sound investment advice to spread one's investments and not have too many eggs in one basket. This dictum can now be applied to savings through life assurance. The investor can spread his policies among the traditional schemes and a variety of unit-linked policies. The insurance broker can advise on this spread.

A ready example of the type of investment service given by insurance brokers is seen from the school fees savings plans designed by C. Howard and Partners, one of the few school fee specialists in the industry. This has a basic design of an echelon of policies, both traditional with-profits and unit-linked contracts, maturing or being cashed-in each year to pay the fees as and when they fall due.

Review

An investment portfolio should always be kept under review as far as possible. Life companies are now beginning to introduce a greater degree of investment flexibility by giving investors a choice of funds in which to invest each premium and the option to switch existing units at a moderate cost. Save and Prosper's Flexible Investment Plan gives investors the choice of 27 funds in which to put premiums. The insurance broker, if he is to provide a complete service, should be able to advise on this point.

Deciding on an investor's life assurance requirements is just one aspect, albeit a very important one, in the overall financial requirements of the individual. The decision should be made in the light of the complete financial requirements of the client taking into account all his personal financial circumstances.

Insurance brokers are now expanding their investment services beyond giving advice on life assurance to clients by offering a complete personal financial management service. Of course, only the very large organisations have the financial resources to support the expert technical staff needed for this type of operation. As recently as April, Sedgwick Forbes Personal Finanancial Management was launched with a fair degree of publicity, while Willis Faber and Dumas has been providing such a service within its life department for some time.

These services offered by brokers are not intended to supplant the work of the client's normal advisers — accountant, solicitor stockbroker—but to co-ordinate with them to provide an overall in-depth personal financial management service.

The brokers will first ascertain the investment objectives of the client — building up capital or maximising net income being two of the more straightforward objectives. They will assess the current financial position of the client, including his tax liabilities. From this data a plan of action will be drawn up for the client's consideration after the situation has been analysed by the various experts in the management team.

Merits

The most important feature in deciding on investment strategy is minimising tax liability, although much less attention is normally paid to this aspect of investment service in discussing the relative merits of different investments. For instance, for a high rate taxpayer, short-dated low coupon gilts with a high tax-free capital gains element are often more attractive than high yielding equities.

The introduction of Capital Transfer Tax to replace Estate Duty has highlighted the comprehensive planning of a client's financial affairs. There is little point is elderly investors seeking capital accumulation if the main beneficiary of their efforts is going to be the Inland Revenue.

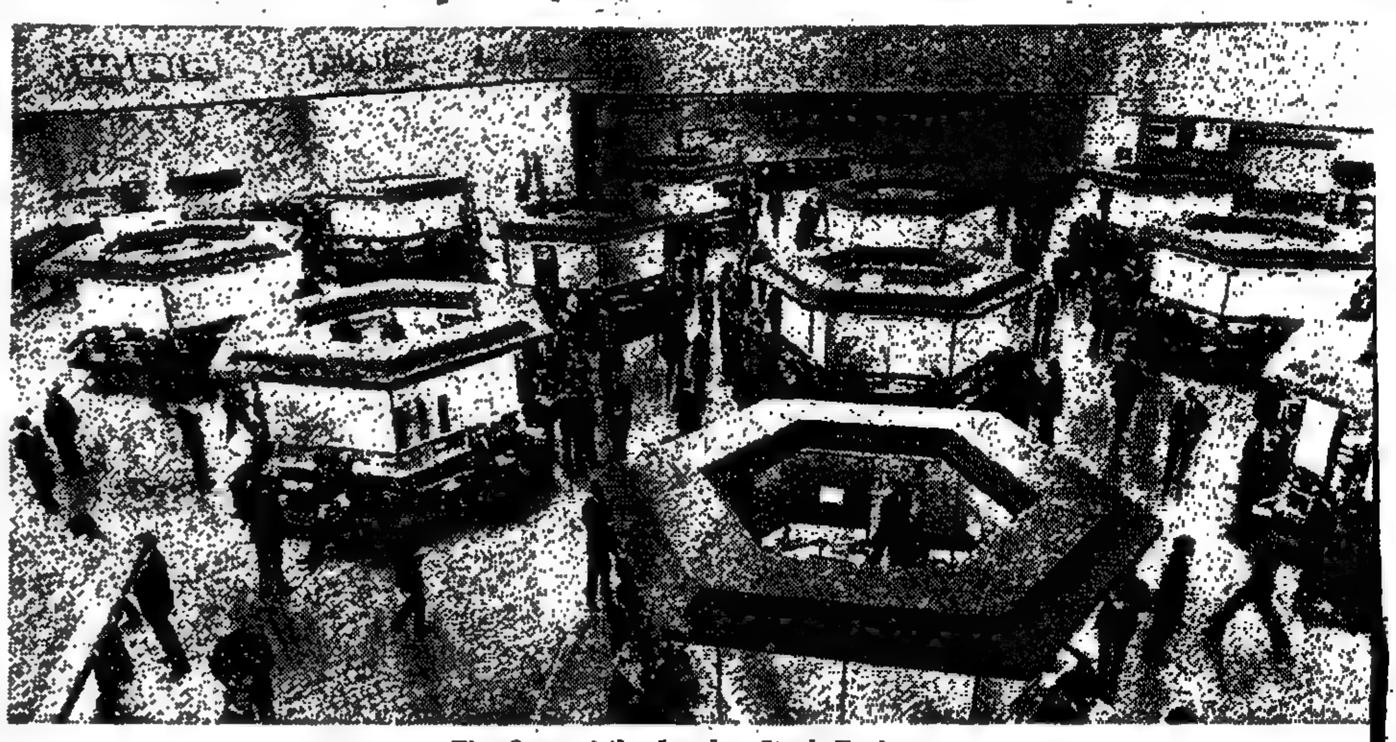
The brokers are, in general, concerned with drawing up a plan of action and leaving it to the client and his advisers to implement, even to the extent of arranging the insurance requirements listed in that plan. Brokers are concerned with the strategic part of investment planning and are leaving the tactical implementation to others.

This move represents a departure from what is normally regarded as insurance broking activities. The remuneration for such services is on a fee-paying basis. Sedgwick Forbes at present charge clients £30 per hour for the work c[illegible] This does give the broker [illegible]pendence in his advice for [illegible] plan need not contain any [illegible] assurance recommendation[illegible] all.

But where it does, the br[illegible] will set out the insur[illegible] requirements together wi[illegible] list of suggested contracts [illegible] those insurance comp[illegible] which market such policies [illegible] then the client asks the br[illegible] to arrange the insurance [illegible] him, the commissions rece[illegible] by the brokers are used to o[illegible] the fees. Indeed, it is pos[illegible] for the client not to hav[illegible] pay any fees directly if a l[illegible] enough life assurance con[illegible] is bought.

It is an investment axiom [illegible] to go to sleep on a portf[illegible] The financial planners ma[illegible] periodic review of plans [illegible] suggest changes where ne[illegible]sary. This move by insur[illegible] brokers into the field [illegible] personal financial managem[illegible] could herald a much gre[illegible] involvement in investm[illegible] management and services.

Eric Sh[illegible]



The floor of the London Stock Exchange.

Like everyone else, stockbrokers are being faced with increasing overhead expenses. The result of this is that most stockbrokers are pushing clients to move on to a discretionary basis or in to in-house unit trusts where expenses can be more easily spread.

Stockbrokers

STOCKBROKERS as a rule are not that talkative when it comes to discussing their dependence, or lack of it, on the private client side of their business. However, it is no secret that stockbrokers have been among the most oppressed recently in the financial services field on account of rising costs at a time of dwindling activity in the stock market: share price fluctuations over the past six months (that is since the recovery in the market) have rarely been backed by any great volume of dealing, whether selling or buying.

There is a general lack of recognition that a stockbroker is good for anything other than to advise or act on the buying and selling of equities, gilts or (at a pinch) Krugerrands. In fact, depending on the broker, of course, the range of services goes far beyond that relatively simple function and in certain cases advice is given on tax planning, money management, other, more diverse forms of investment and even life assurance.

Financial circumstances have dictated, however, that the smaller, more costly and administratively burdensome clients have had to be either (a) passed on elsewhere, (b) put into "in-house" unit trusts where it is easier to spread expenses or (c) persuaded to grant full discretion. The sort of client who, at one time, was able to telephone his broker with a nominal sum—say, £500 or £1,000—and ask for suggestions as to suitable stocks to purchase, is now likely to be disappointed. As one broker stated, brokers "might feel some sort of obligation to operate certain business on a non-profit basis, but certainly not at a loss."

In any event, there is definitely a growing tendency for the smaller investor to become "institutionalised," since whatever the total costs for servicing an account amount to these will ultimately be passed on to the client in one form or another. And such is the acceleration in costs at the moment that the same small investor is no longer able to afford the services of a broker. The consensus opinion is that sums of £5,000 or less have to go into house unit trusts, or be managed on a full discretionary basis.

Nevertheless, the stockbroker is still able to offer a fair range of services to the larger clients, and these tend to be fairly common among the various broking houses. There is the straightforward advisory service where a client makes his or her own decisions, with or without brokers' advice—in other words it is flexible. The fee for this is usually quite small (some quote £15 per annum), plus whatever the broker can make in the way of commission.

Discretion

The second category is where complete discretion is granted to the broker in question. Here, the standard of service is basically the same except that the broker will make all the decisions he thinks appropriate and report back later to say what he has done, why and when. As a rough rule of thumb brokers may charge £10 per annum, plus the usual commission.

For a plain dealing service there is no charge at all, the broker merely taking his commission after acting on client's instructions. Where the larger money comes into play is for the "managed portfolio service," reserved for those with £10,000 and above—again, depending on the broker. There is no hard and fast rule as to the minimum sum involved and a lot will depend on a person's background. For example, if the broker acts for a company and the executives of that company want their private portfolio managed then the broker would clearly be more inclined to take the business. To do otherwise might jeopardise the whole account.

However, as for the investment decisions on this type of account there would tend to be little or no consultation with the client: on the other hand, all the relevant background would be forwarded to the client along with contract notes, valuations etc. Obviously, anyone with a large sum of money, who preferred the services of a friendly broker to those of a merchant bank, might well expect to receive rather more attention.

Finally, there is the rather specialised area of overseas managed portfolio business. This is intended to service the needs of U.K. ex-patriots domiciled overseas in tax havens who can afford to dabble in those areas normally barred to the U.K. resident, or else carrying heavy penalties.

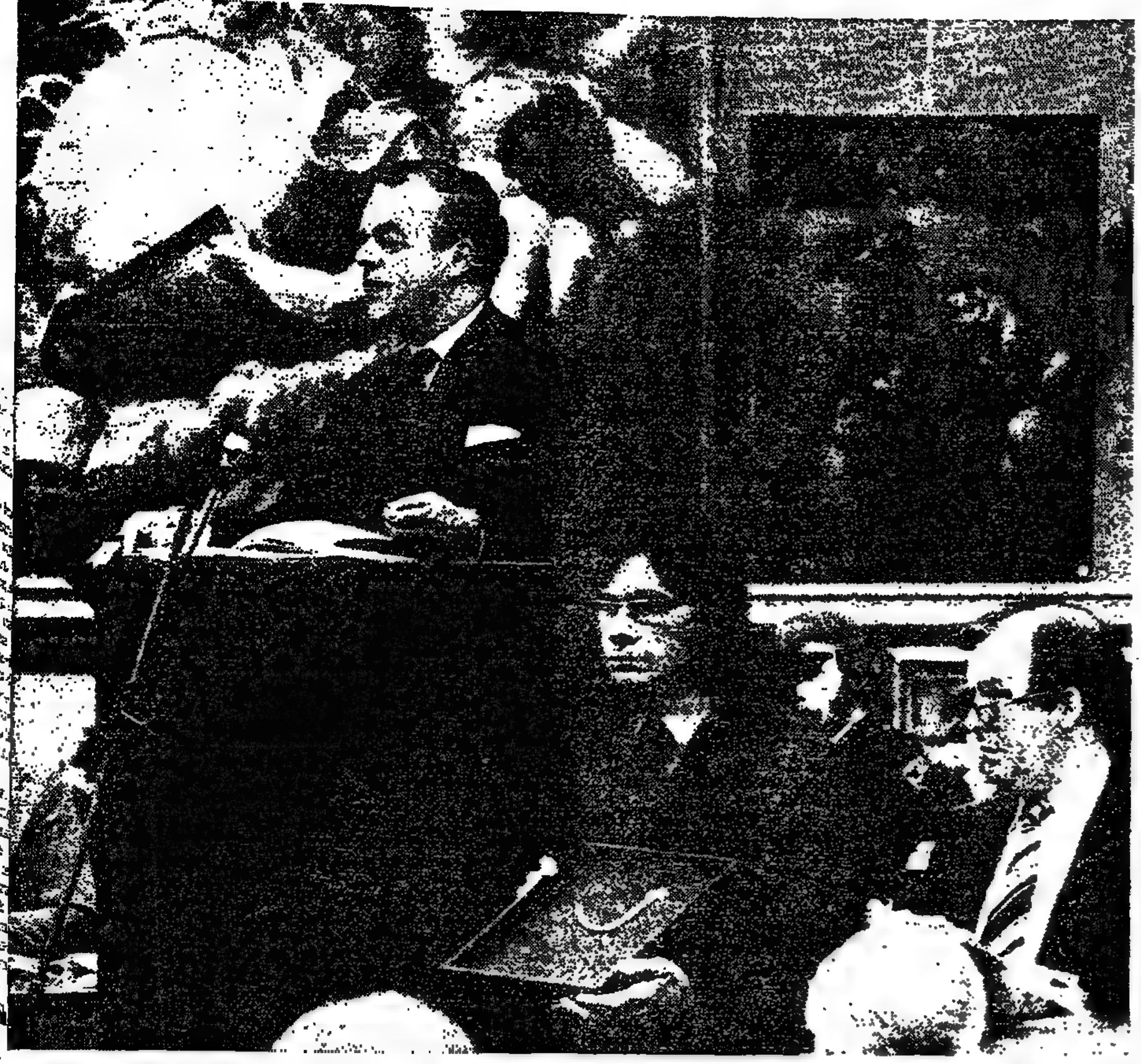
Clearly, the role of the broker in the investment services field tends to overlap with that of the merchant bank, though it would probably be fair to say that the wealthier the client the more likely he is to gravitate towards a merchant bank. Conversely, the man of more modest means would almost invariably end up with a broker who might anyway just push him into a unit trust. However, not even all the merchant banks would pretend to offer a full financial service. Most banks appear to be concentrating on pensions funds rather than private clients, which may well represent an opening for the brokers to exploit. Brokers freely admit that in some areas they cannot compete, though argue forcefully that for equities the broker is really as good as any banker. Some brokers claim to be winning back private clients formerly lost to banks, and others are even moving into the field of managing pension funds.

Like the merchant banks, however, stockbrokers are finding that clients are expressing the desire to have a much greater participation in overseas markets, which naturally creates something of a research problem for a great many houses. For the time being the level of the investment dollar premium is dampening investors' enthusiasm, and while the memories of disasters in the back-to-back loan field are recent enough to still be painful the interest is being directed at U.K. companies with high overseas earnings.

On the tax planning front, there is plenty of anxiety on the part of clients, especially since Capital Transfer Tax and Wealth Tax have come on to the scene. In most cases, if brokers cannot actually advise themselves then usually this can be rectified by calling on a contract. And this would be the same in the case of life assurance, if that was the requirement.

As we all know stockbroking is a cyclical business: there are times when people want to spend and times when they feel like saving. Correspondi[illegible] the interest of the broker[illegible] private clients tends to ebb [illegible] flow. Like everyone else in [illegible] City the brokers have ha[illegible] adapt to changing climates [illegible] tastes and the completely [illegible] poke service that could [illegible] been offered a few years ag[illegible] now becoming available [illegible] fewer people. This is a pit[illegible] course, but it is also the br[illegible] bending with the wind and [illegible] ing up to reality.

Keith Le[illegible]



A diamond and pearl bracelet belonging to Princess Alice, Duchess of Gloucester, being auctioned at Christie's earlier this year. A private buyer paid £1,800 for the bracelet.

Unit trusts, property bonds and managed bonds all play their part as investment vehicles. After a poor year in 1974, demand has now picked up again, and the field offers plenty of choice to the investor.

Unitised funds

NITISED INVESTMENT is ...ce again a driving force with... the savings world. After a ...ry lean period during 1974 ...en demand for unit trusts, ...operty bonds and managed ...nds fell to a low level along ...th practically all other forms ... investment, the professional ...viser specialising in unitised ...vestment now finds himself ...ck in business. There is noth...g very magical about this pro...ss; the catalyst was January 6, the day that the London stock ...arket finally hit the bottom.

This year demand for unit ...usts is back virtually to the ...vels last seen in 1973, a year ...hen sales were not far below ...e peaks of 1972. There are ...gns that savers may be starting ... pause for breath with net new ...vestment in unit trusts for ...ay and June showing declines. ...ut for the first six months of ...975 net new investment is ...most treble that for the similar ...974 period, and only 16 per ...nt. short of the figures ...£130m.) notched by the fund ...dustry during 1973.

Thus the unit trust is tending ... spearhead the attack in the ...attle for the public's savings ...at the fund groups are having ...ith the other savings media—...otably the currently very suc...essful building societies. This ...quity revival is tending to sup...ress demand for property ...onds, though the managed bond ...roups—which have been backed ...y both a strong equity and gilt ...arket this year—are experienc...g steady demand.

Competition in the savings ...eld is probably stronger to-day ...han ever before, and clearly ...he financial adviser has plenty ...f strings to his bow. But uni...ised investment is nonetheless an important part of his armoury—despite the suddenness of this year's equity upturn and the fact that shares are now something like 20 per cent. below their June peak. The equity market may be standing at something of a crossroads, but the financial adviser is well aware that unit trust investment is essentially a medium to long term operation.

However, changing fashions in the investment world and the differing objectives of individual investors make it hard for the professional adviser to set rigid investment rules for his clients. There are still plenty of people who think unit trusts are all the same whereas the reverse is only too confusingly the truth. From the 300 or so unit trusts in operation to-day there are almost any number of management objectives and differing capabilities.

Criteria

There are various criteria by which a potential investment in a unit trust can be judged, and the problem for the individual saver lies with making as many of these fit into his own requirements. The objective of a fund must first be considered, past performance needs to be scrutinised and, finally, it is a good thing to weigh up such matters as size and concentration of a portfolio, as well as investment management freedoms.

Moreover, there are two main ways of investing in unit trusts. The saver can either invest a given amount of money at regular intervals or he can invest a lump sum at one point in time—of late there has been a clear swing to investing via annual premium plans. Regular payments into a unit trust are usually made via an insurance scheme linked to the unit trust. The system here is that the saver simply buys a life assurance policy and pays the premiums. But around 90 per cent. of his premiums goes directly into the linked unit trust while insurance tax reliefs apply to a large proportion of the total premium.

In terms of performance—capital growth plus reinvested income—no unit trust has this year managed to rise as quickly as the equity market. The top performing groups have notched up gains of over 50 per cent. and there are currently some 15 funds which have appreciated by 30 per cent. or over since January. But past performance should always be judged over a reasonable period and not just on a market upturn, for some trusts show better defensive qualities than others and stock markets fall as much as they rise.

The conventional unit trust movement has been in operation since before the last war, and by comparison property bonds and especially managed bonds are very new investment animals. Their existence is largely the result of the investment and promotional restrictions suffered by unit trusts.

A property or managed bond is essentially a single premium life policy. It is the equivalent of the traditional single premium life policy which life assurance companies issue where a capital sum insured has bonuses added. But the modern bond differs in so far as its performance is linked to investment specifically earmarked for the purpose within the life fund. A property bond will naturally invest in property while a managed bond will invest in a variety of sectors, splitting its portfolio down between equities, gilts and properties.

The property bond is self-explanatory. A proportion of the fund will be kept in liquid assets to meet death or withdrawal payments, though in the present uncertain conditions surrounding property values the funds with the largest cash deposits will prove the most secure. In fact in present conditions property bonds are a very specialist investment, and one that some investors have tended to shy away from. But the signs are that property yields are becoming more attractive, and that property buyers are once again beginning to nibble.

One of the key factors to be taken into account when investing in a property bond is the size of the properties within the fund. A fund invested in one or two large properties is obviously more vulnerable than one invested in many smaller properties. There are about 30 bonds to choose from currently and a sixth of them have single properties accounting for more than a quarter of the fund.

Complicated

The managed bond is a little more complicated to get to grips with. It has as its underlying investment the main channels open to a life assurance company. An investment in a managed fund should be able to take advantage of all three of its investment media, and the fund—in theory—is managed to take advantage of changing investment circumstances. In practice, however, there are clear restrictions on this apparent free-wheeling investment approach—especially over a fund's involvement in property which is not a quickly marketably commodity.

In the depths of last year's equity malaise, an offshoot of the managed bond—the convertible bond—acquired considerable popularity. This had more to do, perhaps, with a lack of investment alternatives than with any inherent advantages. The investor in a convertible bond buys a single premium life policy linked to a deposit fund which is invested in bank deposits and local authority loans. The investor has the option to convert to another fund—be it equities, property or fixed interest or a mixture of all three. The timing of the switch is left entirely to the investor.

All unitised investment offers some tax advantage to the saver. The degree of tax relief depends on the type of investment, the age and tax status of the saver and whether lump sum or regular savings plans are used. The field is almost limitless in the scope it can offer.

Jeffrey Brown

The "alternative investments" — wine, stamps, pictures, antiques, etc. — have exerted a great attraction to investors recently. Although traditional sources of advice have fought shy of this sector, expert advice is available and is becoming ever more necessary in an unpredictable market.

The alternatives

THERE IS a piquant story of Mr. Maxwell Joseph's Cape Triangulars. Not only does Mr. Joseph have an excellent collection, but he makes no secret of his desire to expand it. This can affect the buying price.

Questioned on one occasion about his dealing strategy, Mr. Joseph agreed that prices might move against him, but added that this—simultaneously—enhanced the value of the rest of the collection!

The extraordinary affair of the trifle bowl is sufficiently spine-chilling to justify repetition. A Christie's representative who called to value some furniture in a West Country bungalow noticed an odd-looking dish on top of a cupboard. The house-holder had paid £20 for it, and it was normally used at the children's parties. It turned out to be early Ming and fetched £17,850.

One New York securities analyst complained ruefully about his son's investment performance. While Superbears shot his portfolio to bits, his son concentrated on comics, and their capital appreciation helped to pay the mortgage.

Alternative investments, of course, are not always about serendipity. The Bordeaux wine fraud was partly the result of soaring market demand, and between 1970 and 1973, the price of Bordeaux Rouge quadrupled. The subsequent scandal created a blanket of suspicion, and disposal posed some interesting technical problems.

Closer to home, the Financial Times receives a regular stream of enquiries from disconsolate Americans, who were gulled into buying "investment scotch" during the 1960s.

So coverage of these markets tends to be unsystematic, despite the solid growth-rates revealed by the accompanying table. Even allowing for some recovery in equities since the date of compilation, select areas like Japanese prints and modern books are still performing well by comparison. But, among the clearing banks, the National Westminster said this sort of investment did not come within the banking umbrella, while Lloyds and Midland were non-committal. Williams and Glyn's reckoned they would direct a customer to the appropriate experts.

RANKING OF WORKS OF ART AND FINANCIAL INVESTMENT CATEGORIES BY GROWTH OF VALUE

	Worth at end February 1975 of £100 invested in 1965	Percentage p.a. change
Chinese ceramics	662	23.5
Japanese prints	600	23.0
Gold	519	20.0
Modern paintings	355	15.0
Old master prints	350	15.0
Tokyo Stock Exchange	342	14.5
Modern books	257	11.0
Impressionist paintings	250	11.0
Old books	241	10.5
French furniture	203	8.0
Old master drawings	157	5.0
U.S. Government Bonds long term	117	1.5
U.K. Government 2½% consols	108	1.0
U.K. equities	89	(1.25)
U.S. common stocks	81	(2.5)

Chart compiled by Sotheby's.

This is not so surprising. Traditional investment yardsticks are quite irrelevant and yields, for example, tend to be negative, after storage and insurance costs. Charts may help the investor in the commodities market, but they have limited value elsewhere among the stones and bones; the whole concept of valuation has to be based on marginal levels of business.

Dealing costs, which are already high, have risen again recently, while fashion can change almost overnight. One dealer summed this up by saying that fine arts are really a hem-line market—unpredictable.

Malign

Marketability can exert a malign influence, both ways. The actual amount of hard cash which can be placed in the markets at any one time tends to be small, while, at the other end of the scale, a "five year syndrome" or "déjà vu complex" has been identified. Any object which comes back on the market before five years are up tends to be sold at a loss, because prices have not caught up with the dealers' high initial mark-up.

Buyers or sellers can disappear, too, which explains why Lampa Securities experienced such a reversal in the porcelain market; the Portuguese gentleman who was supporting prices suddenly disappeared after the revolution.

Trading may not be regulated like stock exchanges, and new markets have been known to present enterprising operators with the chance to unload.

It would be silly, then, to criticise institutions for fighting shy of such treacherous waters. Nevertheless, there can be limitations to such an orthodox approach. Barclays pointed out that the underlying criteria of appraisal should be quite different. The point of departure is likely to be the object itself, and the investment attractions, if any, could be treated almost as a fortunate by-product.

Once this original premise is accepted, there can certainly be extra compensations, like the global appeal of certain objets d'art. Nor indeed can all markets be dismissed as primitive; active two-way dealings take place in Krugerrands and across the spectrum of traded commodities.

Sotheby's also stressed that the client must like what he is going to buy. The auctioneering house has always operated a fairly informal advisory service, "as part of the overall ambience," based mainly on a close expert-to-client relationship where clients show interest. This is now being supplemented by a more hard-nosed statistical approach.

Among the specialists, Stanley Gibbons provides a highly integrated service, which could appeal to the smaller investor. Portfolios concentrate on the classic 19th century issues, and, apart from a small insurance charge of 25p per £100 of stamps per annum, there is no charge for the service. Portfolios must be worth more than £5,000 if Stanley Gibbons is to store them, and the company is now thinking of raising the threshold even further.

The explanation for this is that the stamp world is still dominated by collectors, who make up the bulk of the business. The investment side exists as a backup to collectors. When a stamp comes on to the market, and there is no immediate demand, it can be placed in a portfolio, and repurchased later—with the client's consent, of course—when an appropriate collector appears.

Liquidity

In this way, Stanley Gibbons maintains a satisfactory degree of liquidity in the market without having to strain its own resources. Again, collectors tend to keep investment values stable, and this explains why the company, with some degree of certainty, can talk about a capital appreciation potential this year equal to the rate of inflation.

Fine Art Investments stays right out of the dealing side, by contrast, and advises in general terms. On specifics, it liaises with consultants from the auctioneering houses. Commissions may look high—between 5 and 10 per cent. of the purchase price — but the company opens its doors to almost anyone, starting from those with about £50 upwards. This is in line with its overall philosophy that the real alternative investment market concerns a mass of tiny bargains by small investors.

Despite the wealth of advice available, the investor can never be entirely protected from these market's volatility. This perverse unpredictability was summed up by Marcel Duchamp, who said, after a session signing "ready-mades": "You know, I like signing these things—it devalues them."

Christopher Dunn

Total annual investment by pension funds in the public and private sectors is currently running at over £1bn. There are plenty of services available to fund trustees both to plan the overall strategy and to manage the actual investments concerned.

Pension funds

IT IS traditional in the U.K. for pension provision outside that of the State to be done on a fully funded basis, with the contributions paid by the employee member of the scheme and his employer accumulated in a fund out of which the benefits are paid to that member as and when they fall due.

Thus the investment of the fund is possibly the most important function of the Board of trustees if the objectives of the fund are to be realised and the costs to the employer kept within reasonable limits. The actuary in his calculations of the size of contributions required makes an assumption about the future yield on the investments of the fund. This sets a minimum target for investment performance, and failure to achieve it will result in a shortfall which the employer will have to make good.

This problem assumes greater importance under current conditions when pensions are more and more being linked to final salary and are escalated in line with the cost-of-living once they become payable. The investment performance of the fund must be able to match such increases over the long term.

The services required fall into two main categories—the overall investment strategy needed to achieve the fund's objectives and the actual management of the investments concerned. The strategy will be chiefly concerned with the way in which new money is invested and what changes in holdings of the existing portfolio are considered desirable. The nature of pension fund liabilities in general requires substantial holdings in equities and property with lesser amounts in fixed interest and cash.

Only the largest of pension funds can justify the costs involved in the appointment of a full time investment manager and his support staff. In all other cases the management has to be delegated. The extent to which trustees get involved in deciding overall strategy is one which only the trustees themselves can decide. Complete discretion can be given to the investment managers on this aspect.

Indeed some of the forms of pension schemes available from life companies combine the twin functions of strategy and tactics, as will be described later. But even where the trustees, backed by their pension consultant, do concern themselves with strategy, the investment managers must play a leading rôle in formulating policy. A consideration of the current and expected economic scene is an essential part of this process, and the managers should be equipped to provide this back-up service.

Experts

The actual management of the investments themselves is best left to the professional managers. They can provide the experts that do the buying and selling and the analysts that monitor the market and the portfolio. Timing is often a prerequisite to successful management. While the trustee could be involved in the decision to purchase a certain property, the temptation to get involved in small equity transactions should be avoided.

Pension schemes generally fall into two categories, those where the administration is carried out by the employer and the trustees with suitable delegation and those where the benefits are insured with a life company. Under a self-administered scheme it is essential to employ the services of an investment manager unless it is a very large scheme. The merchant banks have been to the fore in providing such services, offering a complete range including direct property investment and management in conjunction with leading valuers.

Direct property investment has always been regarded as a good investment media for pension funds. To operate successfully in this field, however, requires both the outlay of considerable funds and a strong specialist department to administer the investments. Until recently only the large funds could enter directly into this market.

The advent of exempt property funds run by various financial organisations and certain life companies has enabled the smaller funds to have a direct stake in property investment, leaving the management of the properties to the parent of the fund. It has proved to be an ideal vehicle for such investments.

It has been a boon to investment managers such as stockbrokers where they have been able to combine their stock market experience with monitoring the property funds to offer the investment management services to cover the whole field.

Where the pension scheme is insured, this has usually meant that the investment management was automatically completely vested in the life company both for strategy and tactics. Although this arrangement has given good results over the years, there is a growing desire among trustees to see what is happening to their funds and to have some say in deciding investment policy. Hence the launch of the managed fund concept by certain life companies.

Briefly, these are exempt funds based either on a specific investment field — equities, property, fixed interest or on a mixture of all three. The pension fund invests its assets in units of these funds and hence the value of the pension fund portfolio is easily calculated. The trustees can decide for themselves the investment policy and vary the amounts held in equities or property or fixed interest simply by buying and selling the appropriate units. The actual management of the underlying investments is done by the life company of the unit trust managers.

Alternatively, the trustees can leave the policy decisions to the life company simply by investing in the three-way managed fund or by giving the life company complete discretion as to which funds to invest. By means of these exempt funds, much smaller sized pension funds have the opportunity to be self-administered and have more control of the running of their scheme.

For individual pension arrangements, the investment services required are somewhat different. The vehicle available here is a deferred annuity policy with a life company if the tax concessions available are to be utilised to the full. The investment strategy and tactics will be the task of the company's investment mang[...] The primary investment [...]vices required by the individ[...] investor from the pension [...]sultant is that of advising [...] the type of contract and [...] which life company.

The choice of pension [...]tracts available to investor[...] considerable as can be s[...] from the handbook publis[...] last week by Money Man[...]ment surveying the whole [...] employed pension scheme, [...] in the life companies th[...]selves and the products t[...] sell.

Strategy

Briefly these contracts ca[...] divided into two types[...] traditional with or wit[...] profits schemes and the [...] linked policies. The inve[...] needs advice from his adv[...] in the first place on the stra[...] for his investment, w[...] policies to hold and how [...] combine them. A gen[...] approach would be to mix [...] conventional and the [...] linked.

The second task of the [...]sor is to recommend indivi[...] contracts. On the conventi[...] side this is straightforward. [...] underlying funds are the [...] three-way mix; the questio[...] which life company will [...] the best bonus rates over [...] investment term. With un[...] linked, however, the inves[...] needs guidance as to the ty[...] of underlying fund—equity[...] property or mixed—and the [...] which life company. The p[...]formance tables published r[...]larly by Money Management a[...] Planned Savings are a use[...] guide. But in such a comp[...] field, the self-employed inve[...] will be looking for investm[...] management and guidance.

Eric Sh[...]

Whatever may be happening to the economy in general, the taxation industry is flourishing as never before. The introduction of Capital Transfer Tax and the promised wealth tax have given rise to a flurry of activity among those who give advice on taxation matters.

Taxation

THE REPLACEMENT of the old death duties by Capital Transfer Tax has sent a surge of activity through the world of the accountants, lawyers, insurance brokers, tax consultants and investment experts who make a profession out of managing the tax affairs of the wealthy and the not-so-wealthy.

The British tax system is now constructed even more than ever in the mould of steep progression and high maximum rates, to the extent that the marginal rate of tax paid by a rich man on investment income can be 98 per cent. (assuming he is so foolish as to have investment income). In such circumstances it is not very difficult for specialist advisers to earn their keep.

And the Government has also promised us a wealth tax, which together with the existing capital gains taxes makes up a trio of capital taxes aimed much more at the redistribution of wealth than at efficient revenue raising. The wealth tax will not come into force until 1976 or 1977 but it is by no means too soon to be considering its implications.

Moreover, it is no longer just the very rich who need to be concerned about the impact of some of these more exotic taxes. Quite deliberately the Government has decided not to index the base levels and higher rate brackets for income and capital taxes. Nor has it shown much flexibility on specific limits such as the £25,000 applied to mortgages qualifying for tax relief.

It is possible that some future more benevolent Chancellor of the Exchequer may appear—like Mr. Anthony Barber in 1971—to put the structure back into some kind of balance. But in the meantime a rate of inflation which is currently topping 25 per cent. is rapidly increasing the real burden for almost everybody and dramatically so for all those with incomes or wealth much above the average.

Higher

So more and more people are seeing themselves dragged into the higher rate brackets for income tax, and find they need to worry about CTT, while wealth tax looms not so very far away. Meantime capital gains tax is assuming very much the nature of a capital levy—and would do so still more if the general run of investments had kept anything like in line with inflation.

Clearly, the tax jungle is growing too thickly for the average person in the middle (let alone upper) income groups to attempt to hack his way through unaided without running the risk of being much more generous to the Chancellor of the Exchequer than necessary.

He may turn to some of the traditional advisers on tax problems—accountants, solicitors, and perhaps bank managers, insurance brokers or stockbrokers. But will he be getting the best possible advice? Should he entrust his tax affairs to specialist tax consultants on a continuing basis, or should he be content with a one-off report? Or would he be wise to put all his financial affairs in the hands of one of the broadly-based investment services firms which will cover every area from taxation and insurance to investment management?

Unfortunately there are no easy answers to these questions. This is a rapidly changing field in which the quality of the advice offered depends very much upon the individual adviser.

Anybody can set up an office and describe himself as a tax consultant. Many of those who do unquestionably provide an excellent service, and can specialise to an extent which puts them well ahead of the accountant or solicitor who can only hope to maintain a rough and ready grasp of the problems involved. At the other extreme, there are horror stories about clients whose "advisers" have disappeared leaving them locked into unprofitable schemes of great complexity and doubtful legality.

Usually, however, clients will approach specialist advisers on the basis of a personal recommendation from some other professional or from a friend, which gives some grounds for initial confidence. It will then be wise to find out the qualifications of the adviser and the staff which he has available to back him up. Whether to approach an independent tax consultant or the specialist department of a large firm is partly a matter of personal taste, though the bigger operations will usually be geared more towards the needs of wealthier individuals.

From then on the taxpayer must keep an eye open for any possible conflicts of interest between himself and the adviser. A major problem in this field is that although straight fee-paying is on the increase the system is still riddled with commissions and other rewards for financial intermediaries which the client may not always be aware of.

If a consultant simply charges a fee the relationship is a straightforward one. If the fee is linked to the amount of tax saved the adviser may have an incentive to work harder but he may also tend to sail very close to the wind; such payment methods tend to be frowned upon in professional quarters. Where the client really needs to keep alert, however, is in the case of advisers recommending insurance policies and investment media which may involve a kick-back for the intermediary. At the worst extreme a tax consultant may be little more than a thinly disguised insurance broker.

It would not be right, of course, to lay this charge indiscriminately against all advisers. Life assurance is, in fact, the best answer to many of the problems of CTT. But the client should be aware of when conflicts of interest may appear and should use his judgment accordingly.

The more general point arising from this is that although a taxpayer may be groping in unfamiliar territory he must still be prepared to make decisions according to his personal temperament. Questions of risk, ethics and individual circumstances all play a role in any decisions, quite apart from the straight arguments on tax planning. If somebody ends up all alone on the Isle of Man trying to live off an inflation-eroded annuity having signed over all his wealth to a spendthrift son he should not lay all the blame on his tax consultant.

Increase

A basic problem is that the steady increase in taxation, both in amount and in variety, is putting increasing strains upon the conscience of the ordinary citizen. It is not easy to make fine distinctions between tax evasion and tax avoidance, especially when new legislation is being rushed through on the lines of CTT. And the dangers are being increased, for what may seem a clever loophole at one stage can very rapidly become a very expensive trap.

It is a good rule not to get involved in any unduly complicated schemes but to keep matters simple. And although the tax system is forcing people out of mainstream assets like shares, gilts and property, it is important to bear in mind that some of the alternatives like gold coins, sleeping partnerships or Ming vases may bear above-average risks.

Undoubtedly the most important single factor which has increased the workload of tax advisers has been the introduction of CTT. Instead of the "voluntary" old-style death duties, which could be ignored for most of a lifetime, we now have a gifts tax which cannot be fully avoided although its impact can be reduced and provided for so long as the appropriate steps are taken at an early stage.

A number of popular guides to CTT have been published already, and there has been considerable comment in the financial Press. However, it will often be well worth while to enlist the aid of a tax adviser to cover the many complex aspects of CTT. The questions of whether assets should be split between husband and wife, of how best advantage can be taken of the various exemptions, and of how life assurance policies can play a part will come near the top of the list.

Barry Riley

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ECONOMIC VIEWPOINT

BY SAMUEL BRITTAN

'Nobody said we didn't have to do this'

RECURRENT feature of re-
.t British history has been capacity of most Labour 'ernments, and some Con-vative ones, to be taken by prise by predictable, and dicted, runs on sterling and be bounced by the economic ablishment into reversing all ir previous policies to main-1 a particular sterling ex-inge rate. It is rivalled only the readiness of the Con-eration of British Industry l many Conservatives to sup-'t, and even insist on, meas-s destructive of the market tem.

As so often in the past, pay itrols have been introduced .t as inflation was beginning subside under the influence market forces. The charts w the marked deceleration recent months in the rise of h the wholesale price index l of earnings, although it may some months before this is lected in retail prices. The nings figures, which reflect at is actually paid, are a tter, though erratic, guide to lationary forces than wage es or the highly publicised tional settlements. The 1½ per it. drop in hours worked ice the beginning of the year not large enough to explain ay what has been happening.

Evidence

I would be the last to claim at a few months' figures pro-le conclusive evidence of a celeration. But the fact of cession and rapidly rising un-iployment suggests that the end was likely to continue—does the situation in other untries where inflation rates, ter remaining obstinately high r a long time, have quickly d suddenly subsided. In this untry, the pay controls have en announced, as they were Mr. Edward Heath in 1972, without giving a chance to find out what market forces would do without them.

This time the Conservatives have not helped by their inces-sant demands for unspecified "action," which in the context of a severe recession, could only have meant pay and price con-trols. Less action rather than more is what we need from our trade union-dominated Govern-ment.

The case against the controls is so strong that it does not need to be overstated. I would not claim that inflation would go down from 25 per cent. to 10 per cent. in a year without them; nor would I deny that the controls may bring forward the deceleration in the pipeline.

Nor will there necessarily be a pay explosion in precisely 12 months. What one can say is that the attempt at compression of differentials via the £6 formula insisted on by Mr. Jack Jones is likely to increase the intensity of reaction and bring it forward.

It is, moreover, a near cer-tainty that any progress in re-ducing inflation over the com-ing months will be attributed at both a popular and a govern-mental level to incomes policy, and that it will be followed by an attempt to restore "full employment" by bousts to de-mand uninhibited by any monetary and fiscal guidelines. The result is that the next in-flationary boom will take us to still higher inflationary peaks and will be followed by even more unemployment than the last one.

Unfortunately, of all the many people who have pre-viously been against pay con-trols, very few are willing to-day to stand up and be counted.

The following are the main reasons given for support of, or acquiescence in, the White Paper by people who disagree with many of the things it contains:

(a) Although the present policy is defective, there is much to be said for incomes policy as such.

(b) Incomes policies are futile and therefore not worth getting excited about.

(c) The incomes policy is mainly a presentational device to allow a Labour Government to get away with tight demand management, on which it is really relying.

(d) There is a case for a short, sharp temporary freeze as part of an emergency policy to kill off inflation quickly.

The first two are best dis-cussed together. Until the White Paper, there was every prospect that present detailed price and profit controls would be replaced, when they expire next March, by a much looser form of invigilation on, say, the Canadian model. Now, instead, the present controls are to be renewed.

Most harm

It is no answer to say that competitive conditions are in any case preventing many firms from charging as much as they are allowed. It is in just these cases where they are partially effective that the controls do most harm by blunting the in-centive—and even the ability —to meet market needs and serve the consumer more efficiently. The expected effects of price controls on future rates of return has already caused firms to announce investment cancella-tions and reduce the employ-ment they otherwise intended to offer.

Variations in relative prices and wages in response to market conditions are essential both to reasonable efficiency and to personal freedom (and are so even in non-capitalist economies). This may be hidden from view during a general recession when a buyers' market prevails, but it will soon become apparent in the next upturn. If price and pay incentives are put on the shelf, some other method of allocating manpower and pro-ductive capacity has to be found —either State direction, or "influence," or letting the consumer go without.

The most harmful measure of all is the increased rent subsidy, which will perpetuate the artifi-cial reduction of rents, relative to other prices, resulting from the 1974-75 freeze. By intensify-ing housing shortages and dis-couraging still further the mobility of council tenants, this will do more to increase long term unemployment than the most draconian monetary squeeze. Now that it has em-barked on the path of buying TUC acquiescence by subsidy, it will be difficult for the Govern-ment to resist further steps in the same direction.

The artificial compression of wage differentials, like many do-good interventions, will, if successful, harm many of those whom it is most intended to benefit, for instance by pricing disadvantaged or unskilled people out of the labour force. The world of the White Paper is that of "don't get caught" puritanism, with Ministers and top executives getting more and more of their satisfaction from office perks and powers and a growing gap between living standards at work and at home.

Mirage

It may be said that the pay measures are temporary: but one can be sure that the incomes policy aficionados will press for for a Phase 2, a Phase 3 and so on, once more making public sector pay the cockpit of a political struggle, and raising the mirage of "fair" relativities as a basis for pay.

By the autumn of 1976, we will have had 2½ years of pay controls and four years of price and dividend controls. The resulting pressure on pension funds, which are increasingly having to be topped up from the ordinary cash flows of their parent companies, is well known. It was Mr. Harold Wilson who used to decry divi-dend controls as a recipe for "ossifying" the industrial struc-ture, and he was perfectly justified in doing so.

The harmful aspects of the White Paper are not rectifiable mistakes. They are the price of Mr. Jack Jones's acquiescence. So far from limiting union mono-poly power, an incomes policy gives the unions ever greater say in our affairs, as can be seen from the subervient tone of the White Paper which breaks new ground by incorporating verba-tim a TUC declaration as part of a Government policy state-ment.

As for the view that the Government is really relying on demand management as its main anti-inflationary weapon, there is something to be said for looking at the words of the White Paper itself without reading over-clever meanings into it. Pay restraint is des-cribed as the "direct and sens-ible" anti-inflationary weapon. Demand, it makes clear, has been allowed to slacken only because of the absence of an incomes policy; and there is no sign of second thoughts on the ability of the Government not merely to reverse the threatened loss of jobs in the coming months but also to spend the economy into so-called "full employment" once the incomes policy appears to be working.

As in Lord Barber's day, the role of monetary policy is to see that pay controls are not undermined by "too loose a control over the expansion of bank credit." Because it is seen this way, the control of the money supply still takes second place to keeping in-terest rates and "asset values" at a desired level and to pro-viding credit for "essential sec-tors." The money supply is held down when, as at present, gilts are in demand at prevailing yields, and shoots ahead when they are not.

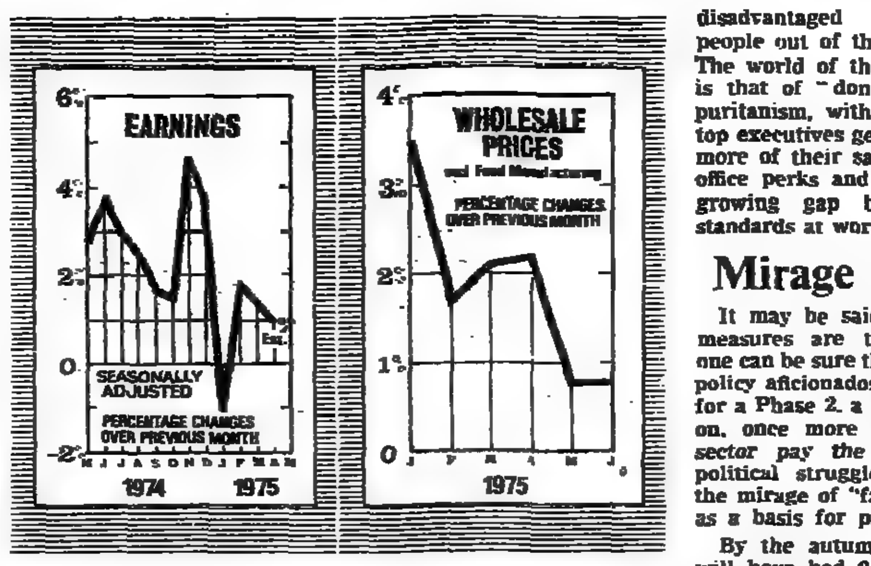
Opponents of controls on in-comes and prices differ among themselves, and can legitimately change their minds, on whether they would prefer to adapt to the inflation rates of the past two or three years, to accept gradual de-escalation, or to go for a quick anti-inflationary kill. The £6 for all ordained by Mr. Jack Jones, cannot conceivably be described as a quick kill. But it is a tempting mistake for people who personally advocate a short, sharp freeze as part of such a kill to wish their plans on to the Government which is in fact pursuing very differ-ent policies.

But even if a genuine quick kill was politically unfeasible, there was still no need for the rush to interventionism. The main reason why Ministers pre-dicted such blood-curdling in-creases in unemployment, with-out pay controls, was because they made their forecasts on the assumption that we were back on a more or less fixed exchange rate. As the table—which is based on one com-monly used economic model in conjunction with high trade elasticities—shows, one can generate as high an unemploy-ment forecast as one likes by assuming a sticky exchange rate while inflation proceeds faster in the U.K. than else-where. The 1½m. forecast, which was circulating in Treasury circles last week, probably assumed that U.K. costs were still rising slightly faster than those of our competitors. The forecast of 2-3m. in the absence of a tight incomes policy, men-tioned by Mr. Denis Healey, assumed a bigger discrepancy.

But the real generating factor is the unwillingness to allow a further depreciation of ster-ling, because of myths about a self-generating downward spiral and the supposed insensitivity of international funds to in-terest rate differentials.

Like Ramsay MacDonald in 1931, or Winston Churchill, not in 1940 but in 1925, Mr. Harold Wilson is forcing needless follies upon us to preserve an abitrary sterling exchange rate.

Lord Passfield (Sidney Webb) remarked after the National Government of 1931 had gone off gold: "Nobody told us we could do this." The Labour Cabinet and TUC leaders might simi-larly say about the present pay policy "Nobody said we didn't have to do this." The same applies to Conservatives who abstain on the White Paper. It is the reverse of patriotic to support, or to refrain from opposing a policy one believes to be wrong-headed.



HOW TO GENERATE HIGH UNEMPLOYMENT FORECASTS

		Unemployment at end of 1976: G.B. seasonally adjusted
a.	Exchange rate remaining competitive	1.4m.
b.	U.K. costs rising by 5 per cent. p.a. above competitors'	1.6m.
c.	U.K. costs rising by 15 per cent. p.a. above competitors'	2.0m.

Letters to the Editor

£6 limit, MPs and pensions

From Mr. M. Pilch.

Sir,—What possible justifica-tion can be advanced for includ-ing pension improvements in the £6 pay limit? When an employer introduces or improves a funded pension plan, the effect is basically counter-inflationary. He is taking money that would otherwise have been available to pay out as immediate wages, salaries or dividends, and chan-nelling it into what is in the main productive investment.

Pension funds represent about a third of all net savings in this country and in the present emer-gency the Government should be doing all it can to encourage savings, not to stifle them. We have heard a lot from all sides lately about the need to provide finance for industry. It hardly seems sensible to strike this further blow at one of the most important potential sources of money for such investment.

As so often seems to be the case with the present Govern-ment, in practice the restrictions will fall most heavily on manual workers. One of the most notice-able trends in recent years has been for companies to improve works pension schemes to bring them into line with those avail-able to staff employees. The new rule is likely to bring that desirable social progress to a halt.

I notice that the pension scheme for Members of Parlia-ment is to be improved in a way that would have fallen foul of the new rule had it been applied. Indeed, if the facts are as reported, I doubt whether a private employer seeking to pro-vide similar treatment under a pension plan of his own could obtain the approval of the Inland Revenue for it.

Do Members not appreciate that other employees are just as anxious about provision for retirement as they are? What-ever the justification for im-mediate belt-tightening—which we all accept—may be, this should not be allowed to inter-fere with long-term saving which, as well as serving a desirable social purpose, makes an impor-tant contribution to our economic recovery by providing essential funds for capital invest-ment.

Michael Pilch,
Noble Lowndes Employee Benefits Division,
Lowndes Lambert Group,
P.O. Box 144, Norfolk House,
Wellesley Road, Croydon.

No jumping the queue

From Mr. C. Green

Sir,—It seems to me that your editorial on MPs' pay (July 17) misses the crux. Were we living in normal economic times then it would be unexceptionable, but it is generally accepted that we are faced with one of the severest financial crises that this country has ever experienced, and it is the duty of the Govern-ment to bring this home to the people not only in words but also in actions.

In introducing the White Paper, the Prime Minister stated that for many people this policy will mean real sacrifices over the coming year, though in its rough justice it protects the least well off. There were to be no special cases, no exceptions, no jumping the queue before August 1.

You cannot expect the great mass of the general public to be as financially sophisticated as your own newspaper, and to them it must appear—rightly or wrongly—that when it comes to self-interest the politicians are no more backward than the militants in our midst. They have missed a glorious oppor-tunity to demonstrate to all the people how seriously they regard our present economic plight and set a really meaningful example to the rest of the country. They should have accepted the recom-mendations of the Review Board and announced their imple-mentation as soon as the present emergency is over. In the meanwhile, they would restrict their pay rise to the maximum £6 per week plus reimbursement of additional expenses.

I agree in one respect with your editorial. By attempting to compromise, the Government has clouded the issues even further, and managed to achieve the worst of all worlds.

My congratulations to Mr. Rathbone who has already stated his intention of sticking to the £6 maximum, despite the hard-ship. He has at least demon-strated that he understands and respects the feelings of the general public. I hope many other MPs will follow his altruistic example.

Charles Green,
Hilton Chambers,
15, Hilton Street, Manchester.

Honourable gentlemen

From Mr. T. Robinson.

Sir,—Perhaps it might be well to remind Members of Parlia-ment that not so many months have elapsed since they were all making very vehement applica-tion for the jobs which they now hold and that their contracts of employment do not terminate until this Parliament is dis-solved. They were all then well aware of the terms and conditions of the job and most of them fought like cats and dogs to get it.

The assiduity with which they mention that they are honour-able gentlemen makes their behaviour even more difficult to understand or to excuse. The prime duty of the governing body of a trading community is to maintain a stable currency and all these honourable gentlemen are collectively responsible for the continuing failure to do this.

T. W. S. Robinson,
92 Green Lane,
Coventry.

Very long term objective

From Mr. J. Kane.

Sir,—Your Common Market Correspondent, Mr. Reginald Dale, reports (July 17) that Mr. Wilson told the meeting of the EEC heads of government that Britain "accepted the long term objective of economic and monetary union, although it was not a practical proposition for the time being."

Yet in the pamphlet dis-tributed to every household prior to the referendum, which bore the "Dear Voter" message signed by the Prime Minister, it clearly said: "There was a threat to employment in Britain from the movement in the Common Market towards an Economic and Monetary Union. . . This threat has been removed."

Does this represent a further example of the Prime Minister's deviousness, or is it yet another "U-turn"?

Joseph Kane.
14, Hallfield Road,
Bradford.

Transporting freight

From The Editor,
Railway Gazette International.

Sir,—So the introduction of an eight-hour or 280-mile day for lorry drivers "will hit the estab-lished pattern of many long-distance operations" (Colin Jones, July 17) and will cost the road haulage industry some £300m. a year.

Rail freight is carried under working conditions that are even more restrictive than those due to come into force for lorry drivers within EEC, though there is far less likelihood of an acci-dent if a train driver falls asleep. British Rail's opera-tions, however, may well be cur-tailed shortly because its freight business is likely to lose £60m. this year.

Of the 250m. tons of freight which is moved more than 100 miles within Britain each year, a mere 15 per cent. now goes by rail. It would be interesting to see how this balance might change if lorry and train drivers worked to the same conditions, and tachographs were installed to make sure that the safety dis-ciplines which railwaymen take for granted were properly enforced on the roads as well.

Strangely enough, the Trans-port and General Workers' Union is bitterly opposed to tachographs, which could only improve the working conditions of their members. The T&GWU, of course, is in a better position than most of us to appreciate how many long-distance loads might divert to rail if even the present regula-tions were properly enforced, let alone those due to take effect in January.

Richard Hope.
Dorset House,
Stamford Street, S.E.1.

Electoral system

From Mr. I. Millman.

Sir,—Let me introduce a note of realism into the debate on the electoral system.

Britain is not some sort of perfect direct democracy, with the entire electorate participating in law-making and the day-to-day activity of government. The essence of British democracy—the direct control by people over government—is the ability of the electorate to change the govern-ment every few years, if they wish to. The advantage of our present electoral system is that it makes such changes easy.

In normal circumstances, a one per cent. swing in votes from one main party to the other will cause approximately 20 seats to change hands, and thus a difference of 40 to the Government's majority. A five per cent. swing will cause a landslide; a 10 per cent. swing a massacre. Of course this institu-tionalised arithmetic bias is un-just to those minorities which do not have sufficiently concentrated support to win more than a few seats in the House of Commons. The system, however, has an enormous countervailing benefit. Between elections any Govern-ment is aware of the fact that a small loss of support in terms of votes will produce a large loss in terms of seats. This should help to keep the politicians on their toes as far as public opinion is concerned.

If we had some sort of propor-tional representation, which resulted in the membership of the House of Commons being a representative sample of the distribution of votes for each party, then politicians could relax knowing that only a major loss of votes would have much effect on their Parliamentary repre-sentation.

It might be argued that the system works this way only because of the present party system, but since this is the party system as it is, the present electoral system is its natural partner. Equally, it might be argued that the ability to change the Government easily is no great advantage when there may not be much to choose between the alternate Governments. This is not the fault of the electoral system, and such an argument would sound strange coming from those who see proportional representation as a way of ensuring permanent one-party centralist government.

Ivor I. Millman.
55, Elderton Road,
Southend-on-Sea, Essex.

Tar & nicotine reduction

From Dr. H. R. Bentley,
Research and Development Director,
Imperial Tobacco.

Sir,—I have read with interest the report by your Science Editor (July 11), of a paper published in the British Medical Journal of July 12 relating to the carbon monoxide yields of cigarette brands.

One statement in the BMJ paper—accurately reported by your Science Editor—could mis-lead your readers. Referring to tar and nicotine yields of cigarette brands, the authors of the paper state that "it is only since the public have been given the information, and can conse-quently act on it, that the tar and nicotine yields have been dramatically lowered by the manufacturers." In fact tar and nicotine yields of important U.K. filter cigarette brands were first substantially reduced by the manufacturers as long ago as 1967, many years before the first publication by HM Government of a comparative "league table" in 1973.

At the time at which these reductions in tar and nicotine yield were first made, my com-pany strongly urged the then Minister of Health to make the information generally available to smokers through the publica-tion of a comparative cigarette brand tar yield "league table." For all practical purposes, there-fore, the situation is in fact almost the converse of that which the authors of the paper report.

H. R. Bentley.
Lombard Street, Bristol.

Better use of roads

From Mr. A. Sutherland.

Sir,—It was reported in June that Greater London Council had decided to end "safeguarding" the West Cross portion of the motorway box. That should en-sure that Ringway One is never completed. You reported July 2 that the GLC had, inconsistently, decided not to introduce a scheme for making better use of the existing central road space. The scheme, which was investi-gated by a study group set up by the GLC, was to charge for supplementary licences for cars (and, rather crucially, commer-cial vehicles) entering central London between 08.00 and 18.00 on weekdays.

If the GLC is not going to ex-pand central road capacity (and the economic and environmental case against such expansion is very strong), and is not going to adopt effective methods for mak-ing better use of the existing capacity, then it is condemning Londoners to further decades of rationing by congestion. Apart from "administrative problems," the reason quoted for the GLC's decision was "The scheme was seen as regressive in that it would hit harder the lower paid car owners."

Harder than what? As the study pointed out "the less well off tend to use their cars to drive to central London less than the better off." Further, "those who cannot afford to run a car and thus depend on public transport could only benefit from the in-troduction of supplementary licensing"— and, it should be added, children, the retired, and working men without cars will collectively continue to be a majority of the population. If the GLC did introduce a charg-ing scheme, undersirable effects on the distribution of incomes (that is, effects on those of the less well off who do own and pre-fer, or are "compelled," to con-tinue to use cars centrally after licensing is introduced) could (and in my view should) be offset.

It is predictable that: (1) the GLC's decision will lead to renewed pressure for building more roads and providing more parking space in the centre. In-deed the RAC has been reported as favouring such an approach; (2) there will be worsening road conditions for buses—which no amount of operating subsidy will cure; (3) congestion will con-tinue to be so great that delays will cost those wasting time in traffic jams far more than the charges they would collectively be willing to pay in order to reduce the vehicular traffic flow (by inducing people to transfer from car to public transport etc.) and so enjoy better travel-ling conditions—but there will continue to be no mechanism for allowing these collective pre-ferences to be translated into individual action; and (4) even if the GLC's possible "alterna-tive" of reducing office parking deters some trips terminating in the centre, initially improved road conditions will attract an offsetting number of through trips (both cars and commercial vehicles), so that there will be little net improvement compared with now.

In fact this is not an alterna-tive policy; it would be a desir-able move even with supplemen-tary licensing in force; through trips could then be prevented from increasing. In his letter (July 10) Mr. Daly, chairman of the GLC Transport Committee, makes no mention of these diverted and generated through trips which would flow from a policy which concentrated simply on tighter parking control for cars. Nor does he say what he will do, in the absence of supplementary licences, for pruning commercial vehicle trips in the centre. Nor does he ex-plain how "encouraging public transport" can actually produce any results if the road conges-tion has not been reduced.

Most economists will ex-perience acute intellectual dis-comfort because the GLC has not been convinced by theoretical and practical argu-ments for altering institutional arrangements so that private cost can be brought closer to social cost at the margin. Is it really too late to ask Mr. Daly and the GLC to think again?

A. Sutherland.
Faculty of Economics and Politics, University of Cambridge,
Sidgwick Avenue,
Cambridge.

To-day's Events

GENERAL
TUC-Labour Party liaison committee meets, London.
EEC Agriculture Ministers begin two-day meeting, Brussels.
Russian Soyuz spacecraft scheduled to land in Northern Kazaghstan.
Mr. Elliott Richardson, U.S. Ambassador to Britain, visits Stock Exchange.
Royal International Horse Show opens, Wembley.

PARLIAMENTARY BUSINESS
House of Commons: Motion to approve White Paper "The Attack on Inflation."
House of Lords: Industry Bill, committee. Ecclesiastical Offices (Age Limit) Measure. Incumbents (Vacation of Benefices) Measure.

COMPANY RESULTS
Rank Organisation (half-year). Dowty Group (full year).

COMPANY MEETINGS
See week's Financial Diary on page 4.

OFFICIAL STATISTICS
Retail trade (June—provisional). Basic wage rates and normal weekly hours (end-June). Monthly index of average earnings (May).

MUSIC
D'Oyly Carte Opera Company in the Mikado, part of centenary season of Gilbert and Sullivan, Royal Festival Hall, London, 7.30 p.m.
Sankofa Sunshine Drummers, Dancers and Singers of Ghana begin three-week season, Young Vic Theatre, 8.15 p.m.

SPORT
Amateur golf: English championship, Lytham. Welsh championship, Porthcawl. Scottish championship, Montrose.

COMPANY NEWS + COMMENT

Assoc. Newspapers may not hold earnings

UNLESS THERE is an improvement in the general economic situation, the Associated Newspapers Group may not maintain the 1974-75 level of earnings in the current year, states chairman Mr. Vere Harmsworth.

In the year ended March 31 group pre-tax earnings fell from £9.34m. to £8.22m., as reported July 10. After tax and minorities and taking in extraordinary items of £6.43m. (£1.51), the net earnings figure was £10m. (£6.54m.).

These extraordinary items in 1974-75 principally reflect a surplus of £7.5m., being the excess of the market value of the group's new holding in Consolidated-Bathurst over the original cost of the shares in The Price Company, following the share exchange.

An analysis shows that newspaper activities accounted for 86.6 (85.6) per cent. of turnover and £3.51m. (£5.7m.) of trading earnings.

Explaining the profit downturn Mr. Harmsworth says the particular causes of the group's difficulties were lower advertisement volumes and the rate of increase in both wage levels and the price of newsprint.

These costs, by far the most significant to the business, generally raced ahead of price increases allowable under present legislation, thereby eroding earnings.

The Daily Mail maintined its circulation despite two price rises. Although advertising conditions have been generally unfavourable the newspaper secured an increased share and currently is contributing to earnings, the chairman reports.

The reorganisation at the Evening News was successfully completed. Although advertising revenue has been maintained at about last year's levels, it has fallen short of that required to compensate for cost escalation, adds Mr. Harmsworth.

Capital expenditure during the year totalled £4.42m. and North Sea developments involved additional expenditure of £3.5m.

There was a net decrease in liquid funds of £8.08m. (£7.1m. increase). At March 31 short-term loans and cash stood at £3.46m. (£11.49m.) with the overdraft at £80,000 (£15,000).

In the directors' opinion the market value of group properties remains in excess of £30m.—exceeding book value by at least £20m.

AN is a subsidiary of the Daily Mail and General Trust which at March 31 held 50.53 per cent. of the shares. Meeting, Waldorf Hotel, WC, August 11 at noon.

• comment

Associated Newspapers' accounts inform us that the unexplained extraordinary item of £6.43m. that featured as a below-the-line credit in the preliminary relates mainly to a notional capital gain on an exchange of shares. The holding in Price Brothers of Canada has been swopped for shares in a bidder company called Consolidated-Bathurst. The beneficial effect to shareholders' funds is marked—assets per share are up 28 per cent. to 127p a share—since an at-cost valuation has been replaced by a current market valuation. On the trading front, the chairman warns of lower earnings this year, but a yield of 7 per cent. at 94p still has its eye on the potential in the North Sea.

Chairman's statement Page 5

HIGHLIGHTS

The weekend brought reports from two sizeable companies, Godfrey Davis and Associated Newspapers; the latter's balance sheet shows the effects of a share exchange deal that took place during the year. The week ahead is notable for the concentration of interim results from three of the four clearing banks; National Westminster is due to-morrow, with Lloyds and Midland expected on Friday. To-day should see the half-timer from Rank Organisation, with Taylor Woodrow coming to-morrow. A prelim from Unigate is scheduled for Wednesday. Gestetner (interim) and Inchcape (final) are expected on Thursday.

Nationwide first half inflow peak

RECEIPTS FROM Nationwide Building Society investors in the first six months of 1975, including interest credited to accounts, totalled £395.2m., an increase of £118.3m. on the same period in 1974 and the highest level ever achieved in any half year.

Withdrawals also rose, to £213.4m. from £195m., but despite this net receipts were a new record at £181.8m. up £100m.

Mortgage advances during the first half of 1975 were £170.8m. or £92.7m. more than in the first half of 1974. Mortgage balances rose by £101.1m. At June 30, 1975 commitments to future loans amounted to £109.9m.

At June 30 the society's assets amounted to £1,688.3m., which was an increase of 9.2 per cent. over the end of 1974.

The society maintained a strong financial position during the first half of 1975, and at its end, reserves were £57.2m. or 3.4 per cent. of total assets. Liquid assets were £346.6m., representing 20.5 per cent. of total assets.

During the period Nationwide repaid the £31.2m. balance of the short-term Government loan.

Unilock up 53%

OFFICE PARTITION manufacturers, Unilock Holdings, reports a 75 per cent. increase in turnover from £2.87m. to £5.02m. and a 53 per cent. rise in taxable profits, from £306,228 to £469,373, for the year to March 31, 1975. Earnings per 10p share are shown to be up from 3.5p to 4.9p.

Dealings in Unilock shares are to begin to-day on the over the counter market made by M. J. H. Nightingale and Co. Although no dividend was declared for the year, chairman Mr. P. K. Barling forecasts a 3.1p net payment for 1975/76.

In his annual statement, Mr. Barling says that since the year-end, a programme of corporate reorganisation has been completed. With effect from May 28, 1975 the share capital of the associated export company Unilock (Exports) which had shareholders in common with Unilock Holdings, was acquired.

The company's figures have not been included in the 1975 accounts, but it is expected to contribute "significantly" to future profits.

Forecasting the results for the year to March 31, 1976 is "especially hazardous" in current conditions, the chairman tells members. However, the year has begun well and if the trend continues, "we would expect pre-tax profits to increase by at least 25 per cent. over the full year."

Twinlock growth: tops £1m

GROUP TURNOVER for the 53 weeks to February 28, 1975, of Twinlock increased 36.6 per cent. to £14.9m., while pre-tax profits rose from £970,900 to £1,003,500.

Export sales at £2.2m. doubled and earnings from overseas companies now represent 53 per cent. of the total. Profits were adversely affected by a shortage of materials and restraint on price increases, says the chairman, Mr. R. Hutton.

The year, he says, was one of substantial change and progress culminating with the acquisition of The Shannon last February.

The company is emerging from a period of rapid sales expansion and "with a greatly enlarged group we see many opportunities for improving our business and leaving ourselves well placed for future growth," the chairman declares.

A final dividend of 0.367p per share makes a total of 0.607p—the maximum permitted. Stated earnings per share after extraordinary items advanced from 4.39p to 4.78p and assets per share from 31.2p to 43.4p. The figures include the assets of The Shannon, but trading figures have not been included in the results.

	1974-75 £000	1973-74 £000
Turnover	14,925.4	10,921.6
Trading profit	917.0	955.2
Share associate	96.5	13.7
Profit before tax	1,003.5	970.9
Taxation	521.5	477.3
Minority	12.2	8.3
Earnings	463.7	454.1
Extraordinary credits	*51.9	10.5
Dividends	18.5	63.2
Prior year tax debit	34.8	—
Forward	2,082.1	1,601.1

* Profit on redemption debenture.

Mr. Hutton points out that the early part of the year demand far outstripped supply, but in the latter months the boom died away and there is little sign of an upturn in orders.

The company is not quoted on the Stock Exchange but the shares are dealt in through the Over-the-Counter market. Meeting, Sanderstead, August 13 at 3 p.m.

Chairman's statement Page 19

Heavitree Brewery ahead

Profits of the Exeter-based Heavitree Brewery showed an improvement from £116,375 to £118,987 in the half year ended April 30, 1975, subject to tax of £61,873 (£54,200).

Turnover — including that of Dartmoor Heavitree Inns, a subsidiary but not that of Buccaneer Inns, an associate — increased from £735,800 to £930,610. The share of the loss of Buccaneer not included in the profit, was £15,428 for 1974-75.

The interim dividend is 2.375p (2.345p) net. For 1973-74 a total of 12.863p was paid from profits of £357,761.

BOARD MEETINGS

The following companies have notified dates of Board meetings to The Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-division shown below is based mainly on last year's timetable.

TO-DAY

Interims—A. Kershaw, M. K. Refrigeration, Rank Organisation, West Coast and Texas Regional Investment Trust.

Finals—Christie-Tyler, Danae Investment Trust, Dowty, Kwikform.

FUTURE DATES

Interims—	
Barrow Hepburn	Aug. 7
Beaumont Properties	July 24
Johnson Group Cleaners	Aug. 21
Nigerian Electricity Supply	July 23
Pride and Clarke	July 28
Transport Development	Aug. 19
Finals—	
Borelli Tea	Aug. 7
Crossfriars Trust	July 24
Gordon and Gotch	July 24
Majuli Tea	July 23
Norton (W.E.)	July 23
Preedy (Alfred)	July 28
Wheelers' Restaurants	July 25

Glyn Genin

Mr. Graham Dowson, chief executive of the Rank Organisation, which is due to announce its interim results to-day.

ISSUE NEWS AND COMMENT

Brazilian Invests. placing

A LISTING and placing has been arranged by James Capel and Co. for up to 140,000 depositary shares at $U.S.106 per depositary in Brazilian Investments SA.

Brazilian Investments is an investment company, which is the first of its kind to be formed, and the first ever Brazilian company to gain a London quote. Investment companies of this sort represent the only way that international investors can gain access to the Brazilian stock markets, which has recently been permitted by the Brazilian authorities. A similar investment company is expected to be launched by brokers Vickers da Costa within a month's time.

The Brazilian Government has laid down strict rules for foreign investment. Firstly, the investments must enter the market under the management of Brazilians, and in the case of this company, the fund managers are Banco Bozano, Simonsen de Investimento SA formed in 1967. None of these funds can acquire more than 10 per cent. of the capital of one company and no investment in banking shares is permitted.

The proceeds of the placing, which will be put in the hands of the managers in Brazil by Friday, will be used for investment opportunities available, although no portion of the proceeds has been allocated for the purpose of making any particular investment. Prior to investment the company may place net proceeds in short-term obligations of the Federal Government of Brazil.

In accordance with the Brazilian regulations, investors are permitted to remit a maximum of 20 per cent. of their holding for redemption, in each of the five six monthly periods following the third anniversary of the original capital registration. The 20 per cent. limit is cumulative so that redemptions in a six-month period can be increased to take account of any shortfall of 20 per cent. in any previous six-month period.

• comment

With the Brazilian authorities relaxing restrictions on foreign portfolio investment, the placing of Brazilian Investments is the first to take advantage of the moves. Two-thirds of the shares have been placed with U.K. institutions, the rest spread over the U.S. and the Continent, and even though James Capel will make shares available to the market to-day, investment is likely to be confined almost entirely to institutions, with probably a few private clients. Investment will be concentrated on the 100 stocks regularly traded in Brazil, out of the 600 to 700 quoted companies. However, the managers believe that the inflow of foreign investment should open up the market, with perhaps a series of rights and new issues. The company's prospects are obviously linked with the future political and economic stability of Brazil, and it is three years before shareholders can start to redeem their holdings.

Particulars Pages 24 and 25

U.K. OPTICAL—91.15%

In connection with U.K. Optical and Industrial Holdings rights issue of 2,679,110 Ordinary shares of 25p each at 65p per share, on the basis of one for four 91.15 per cent. of the issue has been accepted. New shares not taken up have been sold on the market at a net premium for the benefit of non-accepting shareholders.

Godfrey Davis rental fleet replacement problems

THE FREQUENT increases in vehicle prices—averaging 40 per cent. during the year ended March 31, 1975—and restrictions on allowable profits, has totally prevented Godfrey Davis from generating the cash flow to purchase required new rental vehicles.

And, as a result, the company is more dependent than ever on borrowing to replace the rental fleet, according to Mr. C. A. Redfern, chairman, in his annual statement.

Prices legislation, by its very nature, creates a time lag between increased costs arising and steps which can be taken to recover these cost increases in charges, he points out.

The effect of rapid inflation during 1974-75 has been "particularly severe" on the rental fleet side. The 40 per cent. average increase in cost of vehicles has meant a considerable rise in funds required to replace and maintain the fleet at its present level, let alone to provide for expansion, the chairman adds.

For the future, he is optimistic this cost increase will be considerably reduced and, although he cannot speak for all motor manufacturers, in recent weeks the Ford Motor Company "has made a very determined attempt to arrest the ever spiralling prices."

As reported on June 24, group turnover increased from £35.36m. to £40.58m. and pre-tax profit declined from £16.61m. to £1.18m. during 1974-75. Dividends are maintained at 2.72p net. Although turnover was up in the rental and leasing division, profits were considerably lower, due in the main to increases in vehicle prices and rising operating costs in handling 13,000 vehicles.

During the later part of the year there was a marked downturn in the demand for van and truck rental and, as Mr. Redfern considers this will continue for some time yet, steps have already been taken to reduce the size of the commercial vehicle fleet.

An analysis of turnover and pre-tax profit by division shows: rental and leasing £17.81m. (£15.01m.) and £420,000 (£1.07m.), vehicle distribution and servicing £19.7m. (£16.81m.) and £596,000 (£456,000), leisure £3.04m. (£3.5m.) and £141,000 (£58,000), property £47,000 (same) and £21,000 (same). A geographical split shows: U.K. £37.98m. (£33.35m.) and £1.67m. (£2m.), Continental Europe £2.61m. (£1.51m.) and £495,000 loss (£383,000 loss).

A statement of source and application of funds shows an increase in group borrowings of £2.86m. during the year, compared with a reduction of £135,000 the previous year.

Barbinder Trust holds 14 per cent. of the Ordinary. Meeting, Crown House, North Circular Road, N.W., on August 12 at noon.

FT Share Information Service

The following securities have been added to the Share Information Services appearing in the Financial Times:

Ennia NV (Section: Overseas—Amsterdam).

Siebens Oil and Gas (U.K.) (Section: Oils).

Dinkie Heel improves

In the six months ended June 30, 1975, profits of Dinkie Heel increased from £72,445 to £98,270.

The interim dividend is 0.3p net against 0.29p. For 1973-74 a total of 0.585p was paid from profits of £158,284.

LEADENHALL-STERLING

The British and Commonwealth Shipping offer to acquire 1,033,383 stock units of Leadenhall-Sterling Investments not already owned has been accepted in respect of 112,802 (5.54 per cent.). These acceptances, together with units acquired by B and C on May 22 represent 54.78 per cent. of LSI, and the offer has become unconditional.

Tunnel order

The borough of Sandwell, near Birmingham, has placed an order valued at over £100,000 with Charcon Pipes and Tunnels of Leicester, for the tunnel segments required for the Tipton Brook Diversion contract.

Charcon Pipes and Tunnels is a member of Charcon, the construction industry subsidiary of Charterhouse Group.

Low paper demand keeps mills still at 50-55% capacity

BY LORNE BARLING

THERE WAS no improvement in demand for most grades of paper in May. Mills continued to operate at 50 to 55 per cent. of capacity, according to the British Paper Industry Federation.

With the depressed market for paper products virtually unchanged for three months mills have continued to redeploy and lay off workers, though this is eased slightly by the summer holidays.

The packaging market remains one of the worst hit, with manufacturers of retail goods hesitant to launch new products or wrapping. Destocking has hit this sector hard.

May figures by the PIF showed production of food wrappings the first five months down by [illegible] per cent. against last year. Newsprint was down by 19 per cent., printings and writings 24 per cent., and household and tissue papers up 3 per cent.

This is attributed to the strong growth market the tissue sector enjoyed before the downturn and continued increased use of the products. The total of papers was down 22 per cent. and total board 28 per cent.

The federation's Joint Waste Paper Advisory Council said "The decline which first became apparent in the packaging sector, the largest consumer of the lower grades of waste paper, has recently been extended to paper substitute grades."

PRODUCTION OF PAPER AND BOARD

	May 4 weeks 1975 '000 Metric Tonnes	January to May 21 weeks 1975 '000 Metric Tonnes	5 mnth 1975 of 5 mnth 1974
Newsprint	24.8	138.7	−19%
Printing and writings, papers and boards	69.9	387.6	−24%
Food wrappings	3.3	18.3	−29%
Kraft wrappings	10.8	62.0	−23%
Other wrapping and packing papers	58.2	296.8	−27%
Household, toilet papers and tissues	28.9	146.4	+ 3%
Other tissues	1.1	8.6	− 3%
Industrial and special purpose papers	14.4	74.1	−32%
SUB TOTAL	211.5	1,132.6	−22%
Packaging boards	42.7	267.1	−31%
Boards for industrial and special purposes	18.5	72.9	−19%
Other boards	3.4	16.1	−22%
TOTAL BOARD excluding printing and building board	64.6	356.1	−28%
TOTAL PAPER AND BOARD excluding building board	276.0	1,488.7	−24%
Building board	1.6	9.3	− 8%
TOTAL PAPER, BOARD AND BUILDING BOARD	277.6	1,497.9	−24%

Totals do not always add due to rounding.

BR Board wins VAT case on pension fund

BRITISH RAILWAYS Board is entitled to recover the VAT it pays on the fees of the experts who advise on its pension fund, three High Court judges decided.

The Queen's Bench Divisional Court dismissed an appeal by the Commissioners of Customs and Excise against a decision in the Board's favour by the London VAT Tribunal.

The pension fund, administered by the Board for its employees, was part of the Board's business and they were entitled to relief from VAT, said the Lord Chief Justice, Lord Widgery, sitting with Mr. Justice Milmo and Mr. Justice Wien.

The Board was the trustee of its employees' pension fund and employed a staff of 70 to administer it, said Lord Widgery.

It had to be advised on the management of investments in respect of the fund by professional people like accountants and stockbrokers who charged a fee which included VAT.

The 1972 Finance Act, which introduced VAT, provided that a taxable person who paid VAT in the running of his business could deduct the amount paid out from the VAT collected from other people in return for goods or services supplied.

The Board claimed it was entitled to relief under that part of the act.

The Commissioner of Customs and Excise argued that the expert services were not supplied to the Board in respect of its business.

He also argued that the Board had two separate operations. It operated the railway system and, separately, as a trustee of a pension fund. Therefore VAT applied separately.

On the first argument, Lord Widgery said the pension fund was clearly part of the Board's business in the same way as a canteen provided for its employees would be. Most employers now administered a pension fund for their employees as part of their business.

On the second point, Lord Widgery said it had been established that a person, not a business, was registered for VAT.

The Board was awarded costs.

هكذا في الأصل

Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

[illegible]

Local Authority Investments

LOCAL AUTHORITY loan rates 11½-11⅞ per cent. from 11⅞ per cent. were generally firmer for the shorter periods last week, but tended to ease for longer-term quotations. The Financial Times Government Securities Index rose 0.84 to 60.07, rising throughout the week, from 60.51 on Monday to 61.18 on Thursday.

Deposits with local authorities at seven days' notice improved to 9⅞-9¾ per cent. from 9½-9⅞ per cent., the one-month deposit to 9⅞-9¾ per cent. from 9⅞-9⅝ per cent., and the three-month to 9⅞-9⅝ per cent. One-year local authority bonds were placed during the week at par, with a coupon of 11 per cent., to offer a yield ⅛ per cent. below that on the previous week's batch, and ⅛ of a point above the year's low.

*Rate (%) July 18, 1975

2 days' notice (deposit receipt)	9¼—9¾
7 days' notice (deposit receipt)	9¾—9¾
7 days' notice after one month (deposit receipt)	9¾—9¾
7 days' notice after three months (deposit receipt)	9¾—9¾
7 days' notice after six months (deposit receipt)	9¾—10
Mortgage at one month's mutual notice after 11 months	11¼—11⅝
Mortgage at one month's lender notice after 11 months nominal term 2-3 years	n.a.
2 years' mortgage	12¼—12¾†
3 years' mortgage	13—13¾†
4 years' mortgage	13—13¾†
5 years' mortgage	13¼—14†
6-10 years' mortgage	n.a.
11-30 years' mortgage	n.a.

* Rates are for sums not less than £20,000 and are subject to local variations and fluctuations. † Nominal. ‡ Shorter periods may attract higher rates than longer. n.a. Not available.

Public Works Loan Board rates

(Effective from July 5, 1975)

Years	Quota loans Repaid By instalments	At maturity	Non-quota loans Repaid By instalments	At maturity
Up to 5	11¼	11¼	12¼	12¼
Over 5, up to 10	11¾	13¼	13¼	13¾
Over 10, up to 15	12¼	13¼	13¾	14¼
Over 15, up to 25	13¼	14¼	14	15¼
Over 25	14¼	14¼	15¼	15¼

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

INTERNATIONAL COMPANY NEWS

Fiat turnover rise masks sharp drop in volume of sales

BY ANTHONY ROBINSON ROME, July 20

FIAT'S CONSOLIDATED group turnover rose from L1,428bn. to L1,705bn. in the first six months of 1975 but the higher turnover masks a substantial drop in volume sales in all major divisions. The relative importance of export sales increased, however, to cover L692bn. of first-half turnover, compared with L506bn. in the first half of 1974.

Sales of cars and industrial vehicles dropped in volume terms to 651,000 units compared with 780,000 in first half 1974 with export sales down to 263,000 units compared with 303 units.

The downturn in the automobile sector has been progressively followed by a decline in demand for tractors, industrial vehicles and other products as the domestic and international downturn has slowed demand for investment goods of all kinds.

Sales of industrial vehicles dropped by 8,600 to 29,900, while exports were 750 units higher at 14,750. Tractor sales also dropped to 28,800 from 30,500, of which exports were 1,000 units down at 18,500.

A further indication of the lower level of plant utilisation at Fiat is the drop in the group's steel output to 885,000 tons compared with 1.27m. tons in first half 1974.

In the half year letter to shareholders which contains these figures chairman Giovanni Agnelli assured that the group was intensifying its efforts to diversify and was maintaining a high level of investment to this end. This includes foreign investment, of which the major project currently under way is the car and truck complex in Brazil.

Fiat's labour force dropped by 40,000 to 155,000 as of end June but most of this is accounted for by the hiving off of the industrial vehicles division into the new Iveco holding company. This accounts for 31,170 workers. But leaving this aside, Fiat appears to have lost some 7,000 workers through natural wastage.

Fiat sales volume down Page 21

Ciba-Geigy sales down 8%

By John Wicks ZURICH, July 20.

IN THE first half of 1975, group turnover of the Swiss chemical concern Ciba-Geigy fell by 8 per cent. to Sw.Fr.4.90 bn. from Sw.Fr.5.23 bn. in the same period last year. This decline in sales was due primarily to the increased value of the Swiss Franc and had currency parities not altered during the year. The group would have booked a 7 per cent. increase for the period.

In addition to the exchange-rate factor, recession became more marked in almost all main industrialised countries in the first six months of this year, with such important customer industries as textiles, synthetic fibres, car manufacture and the building trades having been especially badly hit. In connection with this development, sales of the group's dyestuffs and chemicals division dropped 22 per cent. over January-June to Sw.Fr. 894m. (1.45 bn.) and those of plastics and additives by 28 per cent. to Sw.Fr. 677m. (937m.). Even without exchange rate shifts, turnover in these two divisions would have fallen back by 10 and 16 per cent., respectively.

The pharmaceuticals division and the Ilford group (film products) recorded falls in sales of 3 per cent. and 2 per cent. to Sw.Fr.1.23bn. and Sw.Fr.235m., respectively, for the first half. Had exchange rates not altered, however, turnover in these two sectors would have risen by 14 and 15 per cent., respectively.

Due to the monetary situation, the growth rates of the agro-chemicals division and the consumer products division were considerably lower than would otherwise have been the case. Sales of agrochemicals went up 5 per cent., instead of 25 per cent., to Sw.Fr.1.67bn. (1.60bn.) and those of consumer products 35 instead of 55 per cent. to Sw.Fr.195m. (144m.). The latter division's figures for the first half of 1974 exclude sales of Airwick Industries, acquired on July 1, 1974.

As a result of the currency changes and the fall in demand due to the recession, the Basle-based parent company Ciba-Geigy AG says earnings were down on those for the first half of last year. "It has also proved increasingly costly, in the face of inflation, to maintain production and research capacity at levels adapted to a given sales volume, which can only in a limited degree be cut back abruptly to meet the changed conditions."

Since no rapid or lasting improvement in the foreign-exchange and economic situation can be expected at present, says the company, the prospects for 1975 as a whole must be judged with reserve.

Alcoa earnings decline sharply in first half

BY JOHN WICKS ZURICH, July 20.

REVENUE OF Alcoa (Aluminum Company of America) for the first half of 1975 fell to $1.15bn. from $1.36bn. in the corresponding period of last year, with production of primary aluminium running at 733,000 tons for January-June of this year and shipments at 644,000 tons.

Net income for the six-month period dropped sharply to $50.4m. ($95.8m.), or $1.47 ($2.85) per share. For the 1975 period, return on invested capital equalled 3.6 per cent. on an annual basis, and return on shareholders' equity was 6.4 per cent.

According to Board chairman W. H. Krome George, customers' aluminium inventories have been abnormally high through most of this year, but are now being worked down to levels "more consistent with current economic conditions." Orders have started to rise, he added, and Alcoa expected that aluminium shipments would move upward in the second half. He reckoned with a moderate but steady increase.

As a result of accelerating increases in company costs, Alcoa had announced price increases affecting about 80 per cent. of its products, Mr. George said these fell far short, however, of recovering higher costs affecting all aspects of operations. At the request of the Council on Wage and Price Stability, these increases, which were to have been effective July 7 have been delayed until August 10.

World Economic Indicators

Industrial production index

	June '75	May '75	April '75	June '74	% change in year
U.S.	109.4	109.2	110	125.3	−12.6
	May '75	April '75	March '75	May '74	
France	110	112	112	125	−12.7
Japan	112.4	110.8	109.7	131.9	−17.1
W. Germany	110.8	104.2	108.9	117.2	−5.5
U.K.	101.2	102.0	103.4	?	[illegible]
Italy	105.4	113.7	108.5	129.7	−18.7
	April '75	March '75	Feb. '75	April '74	
Holland	109	104	100	117	−6.9
Belgium	110	113.2	104.8	123.9	−11.2

Base Year 1970 = 100

Money & Exchanges

The supply of credit in the London money market became much more difficult towards the end of last week. This reached very large proportions on Thursday, when the virtual sellout of the 13½ per cent. Treasury Loan, dated 1997, caused the authorities to buy an exceptionally large amount of Treasury bills and Corporation bills and to lend an exceptionally large amount overnight to eight or nine houses at Minimum Lending Rate. On Monday a surplus was absorbed by sales of a moderate amount of Treasury bills. There was no official help on Tuesday, but on Wednesday the authorities bought a moderate amount of Treasury bills and Corporation bills, to meet a shortage. There was also an exceptionally large amount of help on Friday by lending to five or six houses over the week-end at MLR.

Short-term interest rates recorded mixed changes last week with the one-month sterling certificate yield rising to 9⅞-9⅝ per cent., from the previous 9½-9⅝ per cent., and the three-month was quoted at 9⅞-9⅝ per cent. compared with 9½-9⅝ per cent. and the one-year was 10⅛-10⅛ per cent. against 10⅛-10⅛ per cent.

At the weekly Treasury bill tender the average rate of discount was cut by 0.0274 per cent. to 9.4493 per cent.

Bank of England Minimum Lending Rate 10 per cent. (since May 2, 1975)

The dollar finished the week at its best levels since September 30, against major currencies in general, helped by confidence in the recovery of the U.S. economy. Its trade-weighted average depreciation against 14 units since the Washington Currency Agreement, as calculated by Morgan Guaranty, narrowed to 4.01 per cent. from 4.59 per cent. in New York at the end of the previous week. Sterling lost ground against the U.S. dollar falling to $2.1745-$2.1755, its lowest since January, 1974, from the previous $2.2000-$2.2010. Against other major currencies the pound showed little change, with its trade-weighted average depreciation since the Washington Agreement (as calculated by the Bank of England) ending at 28.6 per cent. compared with 28.3 per cent.

Gold fell $1 an ounce on balance in London to $164½-$165½. The krugerrand for domestic delivery ended at $173¼-$175½ (£79½-£80½) against the previous $178½-$180¼ (£81-£82).

EXCHANGE CROSS-RATES

July 18	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. $ in Montreal. U.S. $=103.10-103.12 Canadian cents. Canadian $ in New York. $C1=97.03-97.04 U.S. cents. U.S. $ in Milan 653.25. Sterling in Milan 1422.00.

GOLD MARKET

	July 18	July 17
Gold Bullion (a fine ounce): Close	$164½-165½	$165¼-164½
Opening	[illegible]	[illegible]
Morning fixing	$163.4	[illegible]
Afternoon fixing	$164.0	$164.10

[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]

FOREIGN EXCHANGES

July 18 1975	Bank Rates %	Day's Spread	Close
New York	8	2.1715-2.1785	2.1745-2.1755
Montreal	8¼	2.2380-2.2450	2.2410-2.2420
Amsterdam	8	5.56-5.61	5.59½-5.60½
†Brussels	8½	80.30-81.10	80.70-80.90
Copenhagen	8	12.49-12.54	12.49½-12.50½
Frankfurt	4½	5.41-5.45	5.42½-5.43½
[illegible]	[illegible]	[illegible]	[illegible]

FORWARD RATES

[illegible]

OTHER MARKETS

[illegible]

MINING NOTEBOOK

Cautious line taken in gold survey

BY LODESTAR

GOLD SHARES have continued to follow the bearish dictates of London stockbrokers. The June quarterlies from the South African mines were much in line with the cautious views expressed in this column last Monday. The bullion price lingers at $164½, a little down on the week.

The threatened miners' strike for a five-day week has been averted—although at an eventual cost it is difficult to calculate. But what shareholders really want is good news about the future trend of the gold price itself.

Unfortunately they will not find it in the latest edition of Consolidated Gold Fields' now well-known annual gold survey—highly useful though this is as a statistical guide to what happened in 1974. Its 50 pages are packed with figures showing where all the gold went to and why.

Its reading of the outlook is cautious. Mr. Peter Fells, the author, reckons the key factor is the degree of future investment buying, and the economic environment is too gloomy for a resumption of large-scale demand of this kind.

He says there is a widespread disquiet about the prospects for inflation during the next economic upswing, and including gold portfolios as a financial insurance policy continues to gain ground.

However, many investors are "awaiting some guidance from the monetary authorities before making a commitment. Pressures are building up for a resumption of gold trading between central banks and the prices at which official transactions are conducted will have a powerful impact on the market." This is hardly a conclusion likely to lift gold share prices this morning or indeed to-morrow.

Murchison saga

The share market battle continues between the bulls and the bears of the world's largest antimony producer, Consolidated Murchison of South Africa. Two major mining houses, Johannesburg Consolidated and Anglo-Transvaal have stakes in the company.

The expected recovery in shipments during the June quarter did not take place. So profits fell further and underlined the cut in the 1975 interim dividend. Shares also fell, but only briefly because Johannesburg soon renewed its enthusiasm. So on Friday the price was 680p, only 10p down on a fortnight ago when I last put together the pros and cons of the situation.

So what now? The latest theories from Johannesburg hold that the poor shipments in the past half-year, 6,636 tons of concentrates compared with 8,306 tons, are only to a small extent due to port problems at Lourenco Marques. The major reason was the poor demand for the product which had fallen in line with that for most other minerals.

They are still bullish out there because they believe the current upturn in the antimony market will be a strong and prolonged one, boosted by the mineral's expanding use for flame-retardant purposes and by a recovery in demand for the traditional requirements of the world's car industries. They also consider Murchison well placed to take the fullest advantage with material which has been stockpiled. This, according to the quarterly figures, amounts to a further 6,874 tons in the past half-year or rather more than that actually shipped and sold during the period.

Pancontinental

Another share regarded with puzzlement and awe on this side of the world is Pancontinental, the Australian company with a major uranium find at Jabiluka in the Northern Territory. America's Getty Oil has a 35 per cent. stake in the deposit. Pancontinental soared to a record 530p on Friday.

This was 10 days after the company made its latest announcement foreshadowing another increase in uranium ore potential over the previous inferred total of 115,000 short tons of uranium oxide. Yet Mr. Rex Connor, Minerals and Energy Minister, still holds a restraining hand on uranium export contracts. He still wants Peko-EZ Industries Ranger to be the initial Northern Territory producer in partnership with the Federal Government. And there are scant signs of any near-term change of Government or any indication that Mr. Connor will be replaced by a more amenable Minister.

Gold hopes

The probability that Pancontinental will be able to get anything like an adequate reward for its major discovery therefore looks far distant. So why the continued enthusiasm for the shares? It seems to arise down-under from optimistic news stories about the possibilities revealed by the gold content of some of the drill cores.

The National Miner splashed on its front page the claim that the company will "almost certainly have a gold mine operating at its Jabiluka project . . . before it begins to tap the deposit's massive uranium content." A Pancontinental spokesman is quoted as saying that if a gold-bearing orebody is indeed proven it would be a good fillip, providing for a couple of years at least a cash flow "not in a sensitive area—no one worries about us mining gold."

The implication is that Pancontinental might be able to steal a march on Mr. Connor by setting up a mining operation which could speedily be turned into a productive uranium mine as soon as any more enlightened Government policies emerge.

The London view is that a profitable gold orebody has yet to be proved. It is also noted that Mid-East Minerals took advantage of the price uprush to halve its holding in Pancontinental. Bulls of the latter must hope that the newly-found golden aura persists and that Mr. Connor does not.

Coal contracts

At least the Minister has been able to announce a coal deal with the Japanese designed to raise coking coal exports from around 28m. tonnes for the current year to between 44m. and 49m. tonnes for 1980. If Japanese steel production lags then the imports from Australia are stated to be guaranteed. Any reductions will be effected through a run-down in "spot sale" contracts from other countries.

Mr. Connor also claims a price increase of 71 per cent. compared with a year ago in the highest grade of coking coal. Consequently, the value of coal exports to Japan should rise from $490m. (£241m.) to over $1bn. (£602m.) this year and could further increase to $1.7bn. (£1.02bn.) by 1980, which Mr. Connor says is the highest commercial value agreement in Australian history.

More good Australian news comes from the RTZ group's Hamersley iron ore operation which has lifted its half-year net profit from an adjusted $7.16m. to $18.65m. (£8.2m.), reflecting a 52 per cent. increase in net sales revenue. But an unprecedented rise of 40 per cent. in costs per tonne compared with a year ago eroded the impact on earnings. Higher sales and prices and the effect of last September's devaluation of the Australian dollar boosted revenue despite higher sea freight rates. Hamersley is 54 per cent. owned by CRA in which the RTZ stake is 80.7 per cent. Its shares are quoted in London at 155p.

There is a sting in the tail from Mr. Connor, however, that bulls of Hamersley and of the Australian coal stocks such as Thiess and Utah Mining should bear in mind. In his evidence to the Industries Assistance Commission he indicated that he still has a graduated "super" tax on the petroleum and mining industries very much in mind. He gave a strong hint to the commission that they should also bear it in mind in the course of their deliberations. And he dismissed the previous submissions of the industries by accusing them of using the Commission as a "wailing wall." All is not yet lovely in the Australian mining garden.

INSURANCE

Some new regulations

BY OUR INSURANCE CORRESPONDENT

NEW INSURANCE regulations continue to appear at frequent intervals and two more sets, made under the authority of the 1974 Insurance Companies Act, must now be recorded—the Insurance Companies (Linked Properties and Indices) Regulations which came into force on July 1, and the Insurance Companies (Changes of Director Controller or Manager) Regulations which are due to come into force on September 16.

The regulations dealing with Linked Properties and Indices stem from the recommendations of the Scott Committee which published its report on linked life assurance in 1973. In the same way as the law must not only be just but be seen to be just, so the Scott Committee thought that unit linked assurance schemes should not only work fairly but be seen to work fairly.

To this end, the Committee recommended that those assets, to which policy benefits could be linked, should be restricted to those types of investment for which it is possible to get a generally acceptable and reasonably reliable market value. Furthermore, the Committee held that the indices used should be indices both generally recognised and independently calculated.

Five categories

The new regulations specify five main categories of assets: securities quoted on specified stock exchanges, which include among others those in Britain, the EEC and the United States, Australia, Canada and Japan: land and buildings in specified countries, which include all the countries listed above other than Japan, but also Britain's off-shore islands; units in authorised unit trusts; loans to or desposits with specified banks and institutions, such as the Bank of England, the National Savings Bank, Trustee Savings Banks and Building Societies; and loans to or deposits with government, public and local authorities and state corporations.

The new regulations prescribe two indices—the Financial Times Ordinary Share Index and the Financial Times Actuaries Shares indices. Is this the first time that such statutory commendation has been given to a financial yardstick established by the Press?

The second set of regulations, dealing with proposed changes of control of existing insurance companies, requires detailed information to be given to the Secretary of State for Trade about any person who it is intended should become the new controller of an insurance company. The term "controller" is defined in Section 7 of the 1974 Insurance Companies Act and is of wide significance. It includes the managing director and chief executive of a company, and of any insurance company of which it is a subsidiary: it also includes any person who exercises or controls the exercise of one third or more of the voting power at general meetings and also any person or persons on whose directions or instructions the directors of the company are accustomed to act.

Prior vetting

The information required on any prospective controller will enable the Department of Trade to decide before he takes over, whether or not he is a fit person for the job. From all points of view, including that of the prospective controller, such prior vetting must be preferable to investigation after control has been assumed. The regulations provide that if the evidence suggests that the prospective controller is likely to be found to be unfit, the Secretary of State must inform him so that he can if he wishes make representations to try to influence the Secretary's decision.

The controller will also have a duty of disclosure to the company, and the regulations prescribe the information he must give both when he assumes and when he relinquishes control. Similar regulations prescribe what information managers and directors must give to companies on appointment. Here also the DoT has a responsibility of determining fitness for office and here again, it seems that if a prospective manager or director will be found unfit then he must be given the chance to make such representations as he wishes.

These regulations, like the others that have been made under the 1974 Act, have been produced after consultation with the insurance market, but the market must recognise that the "Changes" regulations, with the vetting of senior personnel, will give the DoT far greater potential control over the insurance company market than it has ever had before, even if in practice the regulations are applied with the customary kid gloves.

South Wales imports coal

Heavy imports of foreign coal at the South Wales ports are keeping them well in advance of exports.

Over the first half of the year imports rose 786,000 tons to 1,233,000 tons and exports by 412,000 tons to 882,000 tons, compared with the corresponding period last year.

WEEKLY AVERAGES OF U.K. INDICES

[illegible]

INSURANCE BASE RATES

† Atlantic Assurance ... 11½%
Cannon Assurance ... 8¾%
† Address shown under Insurance and Property Bond Table

INTERNATIONAL COMPANY NEWS + EURO MARKETS

EUROMARKETS

Non-dollar issues depressed

BY MARY CAMPBELL

WITH THE dollar still strengthening, the non-dollar sectors of the market continued in low key last week. Prices of the two longer dated SDR issues are now two to three points below their issue prices while in Germany the expectation persists that there will be a month-long halt to new D-mark issues for foreign borrowers. Any decision would be taken at next Wednesday's meeting of the capital markets sub-committee.

The problem in Germany arises from the fact that foreign issues have increasingly been sold to German residents in recent weeks, slowing down demand for domestic D-mark issues. It is thought that three more issues, for ICI, ESCOM and Alusuisse, would be completed before any halt came into effect.

Even the dollar sector has been weaker in recent trading—as a result of the indications that interest rates have turned. However, three new dollar issues have been announced in the last week. They are $20m. for Nissbin Steel, under guarantee of Sanwa Bank, $30m. for the Australian Resources Development Bank and $25m. for a subsidiary of the Spanish INI.

The main terms of the first two issues are identical—an indicated coupon of 9¼ per cent. and five-year maturity. The Spanish issue, for which the borrower is Empresa Nacional de Petroleo, is in the form of seven-year floating rate notes offering a spread of 1⅞ per cent. and minimum coupon of 8½ per cent. Announced yesterday, it is being managed by a group of banks headed by European Banking Company and Samuel Montagu.

A major development last week was what is believed to be the first ever placement of U.S. corporate securities with the Saudi Arabian government. The placement was $100m. of 8.4 per cent. six year notes for American Telephone and Telegraph.

Deutsche Babcock dividend hopes

OBERHAUSEN, July 20.

DEUTSCHE BABCOCK and Wilcox said it will be able to maintain its ordinary dividend of DM8.0 a share in the year to September 30.

The company, now 25 per cent. owned by Iran, said in a letter to shareholders that its expected turnover of DM3bn. (2.86bn.) would lead to satisfactory profits for the year. Group turnover in the first nine months was up by 20 per cent. to DM1.94bn. from DM.1.62bn. with foreign sales accounting for 35 per cent. (28 per cent.). In 1973-74, the group made a net profit of DM31.7m.

Meanwhile Kraftwerk Union said it has won an order from the Iranian state energy company Tavanair for two turnkey gas turbine power stations and an option on a third worth over a total DM100m. KWU will build plants at Manjil and Farahabad near Teheran to start production by early 1977.

Reuter

Rothschild hotel sale

PARIS, July 20.

PLM, SA, HOLDING company for the hotel and tourism subsidiaries of Baron Guy de Rothschild's Cie du Nord group, said it will sell a 51 per cent. stake in Ste Hoteliere Saint Jacques to the Swiss company Ste de Participations Hotelieres (SPH).

A PLM spokesman said Saint Jacques, which runs the four-star Paris hotel PLM-Saint-Jacques, made a Frs.7m. loss in 1974, the combined result of the recession and a glut of expensive hotel rooms in Paris. PLM itself made a loss as a result of this on a consolidated turnover of the order of Frs. 100m.

The deal also includes a 25 per cent. participation by SPH in the capital of STE Francaise de Promotion Touristique et Hoteliere (SFPTH), a PLM subsidiary that deals with PLM's activities in the field of tourism in France and abroad.

The new shareholdings in SFPTH will be 25 per cent SPH, 48 per cent PLM, 20 per cent. Agence Havas (which recently signed a co-operation agreement with PLM involving holdings of each other's shares) and seven per cent. split between the Banque Nationale de Paris and the state savings bank Caisse des Depots et Consignations.

Sharp setback for Wheelock Maritime

Financial Times Reporter

WHEELOCK MARITIME International announced that the consolidated net profit of the Group for the year ended March 31, 1975, after taxation, minority interests and writing off $HK22.90m., being the Group's proportion of a loss incurred on the recission of a shipbuilding contract, was $HK19.35m. This compares with a consolidated net profit for the previous year of $HK34.65m., which included the Group's share of a profit of $HK17.67m. realised on the sale of a vessel.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus	Util.	Trading volume 000's
July 18	68.55	170.90	862.41	85.50	16,870
17	68.88	172.16	864.28	83.65	21,420
16	68.95	172.61	872.11	85.21	25,250
15	68.91	175.38	881.81	84.74	28,340
14	68.50	172.89	876.36	84.71	21,900
11	68.79	172.69	871.09	84.48	22,210
10	68.95	172.48	871.87	84.30	28,380
9	62.85	172.03	871.27	85.81	26,550
8	68.26	169.86	857.79	85.24	18,990
7	68.69	169.21	861.03	83.59	15,250
3	62.89	169.78	871.79	84.45	19,000
2	62.96	170.07	870.32	84.74	13,530
1	69.28	171.71	877.42	85.44	20,390
June 30	69.32	171.15	878.99	85.99	18,430
27	69.42	171.54	875.12	86.03	12,820
26	69.51	169.90	874.14	86.34	24,560
25	69.67	168.59	872.73	86.69	21,610
1975 High	69.82 (4/4)	174.12 (6/6)	881.81 (15/7)	87.07 (24/6)	—
Low	68.16 (3/1)	146.47 (2/1)	632.04 (2/1)	72.02 (2/1)	—
All-time High	—	279.88 [illegible]	1051.70 [illegible]	165.49 [illegible]	—
Low	—	13.23 [illegible]	41.22 [illegible]	10.58 [illegible]	—

† Excluding bonds.

IND. DIVIDEND YIELD p.c.

July 11	July 5	July 6, 1974
4.44	4.44	4.66

N.Y. SE ALL COMMON INDEX

December 31, 1965=50.

1975 High	1975 Low	July 18	July 17	July 16	July 15	July 14
51.24 (16/7)	37.06 (2/1)	50.07	50.24	50.72	51.24	50.88

RISES AND FALLS

Issues traded	Up	Down	Unchanged
1,810	649	747	414

	July 18	July 17	July 16	July 15	July 14
New Highs	48	62	202	315	213
New Lows	2	2	1	5	7

AMERICAN SE MARKET VALUE INDEX

Starting base 100 Aug. 31, 1973.

1975 High	1975 Low	July 18	July 17	July 16	July 15	July 14
98.80 (16/7)	62.20 (2/1)	95.87	95.70	98.27	98.80	98.14
Volume (000's)		2,420	2,890	3,560	4,660	5,590

U.S. STOCK INDICES STANDARD AND POORS

	*Industrials	†Composite
July 18	104.59	93.20
17	105.09	93.63
16	106.25	94.61
15	107.48	95.61
14	106.92	95.19
11	106.30	94.66
10	106.51	94.81
9	106.54	94.90
1975 High	107.48 (15/7)	95.61 (15/7)
1975 Low	77.71 (8/1)	70.74 (8/1)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	July 16 1975	July 9 1975	July 18 1974
Ind. Ord. yield pc	3.60	3.59	4.00
Ind Ord. p/e ratio	11.87	11.82	10.30
Long-term Govt. Bds. per cent.	6.73	6.77	6.78

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
CTTI Corpn.	257,200	36	+1
Sony	196,200	11½	—
FST Chart.	175,700	14	−½
Searle G.D.	166,500	17½	−¼
Whitt. Ker	133,300	44	+1
Intl. Flavour	119,700	27	−1
Polaroid	117,900	40½	+½
SBD CST Lind.	114,500	22	−1¼
Merrill Lynch	113,700	19½	+¼
Eastman Kodak	113,300	99½	−1

TORONTO

INDUSTRIAL INDEX

July 18	July 17	1975 High	1975 Low
193.28	193.38	198.50 (16/7)	169.41 (2/1)

MONTREAL

INDUSTRIAL INDEX

July 18	July 17	1975 High	1975 Low
204.12	204.02	205.83 (15/7)	169.93 (2/1)

COMBINED INDEX

July 18	July 17	1975 High	1975 Low
197.82	197.47	198.90 (15/7)	156.62 (2/1)

JOHANNESBURG

	July 18	July 17	1975 High	1975 Low
Industrials	235.7	236.3	236.9 (16/7)	183.2 (23/1)
Golds	302.1	307.5	379.1 (2/1)	285.2 (15/4)

1956=100. Source: Rand Daily Mail. * 1974.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	July 17	July 10	July 3
On Dividends	7.38	7.20	7.17
On Earnings	14.08	13.80	13.74

SYDNEY ALL ORD. INDEX

July 18	July 17	High 1975	Low 1975
366.37	368.14	383.55 (4/6)	289.88 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

July 18	July 17	High 1975	Low 1975
322.19	324.21	333.11 (2/7)	268.24 (10/1)

HONG KONG INDEX ⊕

July 18	July 17	High 1975	Low 1975
327.62	328.79	341.57 (9/6)	160.48 (9/1)

SINGAPORE INDEX §

July 18	July 17	High 1975	Low 1975
229.75	230.40	268.69 (11/3)	155.26 (6/1)

EUROPE

	July 18	Previous	1975 High	1975 Low
Belg'm (a)	107.97	108.06	111.81 (16/6)	89.07 (2/1)
Denm'k (b)	90.41	90.46	92.30 (13/6)	73.06 (15/1)
France (d)	65.0	64.7	72.6 (23/4)	51.70 (2/1)
Germ'y (e)	700.7	702.8	726.1 (10/4)	573.5 (2/1)
Holland (f)	100.7	100.8	107.6 (6/6)	83.5 (2/1)
Italy (g)	82.28	82.68	108.58 (21/2)	83.81 (16/7)
Spain (h)	u	98.36	110.96 (22/4)	96.50 (4/7)
Sweden (k)	389.05	387.06	387.05 (17/7)	310.56 (9/1)
Switz'rl'd (m)	269.5	270.1	285.1 (6/6)	[illegible] (2/1)

Indices and base dates (all base values 100):—(a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December, 1953. (f) Amsterdam Industrial 1970. (g) Milan 1972. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (u) Unavailable. ⊕ Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. † Adjusted.

AUSTRALIAN WEEKLY LIST

Australian $	July 18	July 11
Advertiser Newspaper	†1.27	†1.25
Ansett Transport	†0.64	†0.66
Assd. Securities	†0.52	†0.50
Aust. Guarantee	‡1.32	†1.36
Aust Paper M'uf'g	†1.00	†1.05
Boral	†1.73	†1.80
Bramble Inds.	†1.45	†1.46
Burns Philip	†1.75	†1.83
Carpenter (W.R.)	†1.12	†1.13
Castlemaine Perkins	†3.84	†3.90
Coal & Allied	†2.55	†2.65
Commercial Bank	†2.35	†2.40
Commercial Union	†0.31	†0.31
Commonw'lth Mining	†2.00	†2.00
Grace Bros	†1.46	†1.52
Hardie Asbestos	†3.35	†3.35
Herald & Weekly	†1.75	†1.85
Humes	†0.72	†0.74
Kiwi Int	†0.34	†0.28
M.L.C.	†1.85	†1.85
Mauri Bros	†0.90	†0.90
Mayne Nickless	†1.45	†1.47
Nylex Corporation	†0.51	†0.54
Olympic Cons.	†0.56	†0.60
Overseas Corporation	†1.12	†1.12
Peters ville	†0.21	†0.21
Queensland Cement	†1.25	†1.25
QBE	†0.74	†0.75
Rocla Industries	†0.82	†0.80
Swan Brewery	†1.37	†1.35
TV Corporation	†2.20	†2.20
Thiess	†1.71	†2.60
Thomas Nat' Trans	†1.07	†1.10
Tooheys	†1.48	†1.49
Travelodge	†0.25	†0.20
Woodside Burmah	†0.77	†0.82

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

Company	Prices July 20 1975	Change on the week
Banking, Insurance and Finance		
Bank Leumi Le Israel	220.5	+4.5
I.D.B. Bankholding	215	—
Bank Hapoalim Br.	227	+5.0
Union Bank of Israel Br.	259	+5.0
United Mizrachi Bank	161	+3.5
Hassneh Insurance Br.	320	+5.0
Wolfson Clore Mayer Br.	106	+12.5
General Mtge. Bank Br.	220.5	+6.5
'Tefahot' Israel Mort Bank Br.	256	+1.0
Land Development		
Africa Israel Invest £10	327	+23
Israel Land Devel Br.	137	+17
Property and Building	223	+4.0
Meladrin	231	+2
Public Utility		
Israel Electric Corp	190.5	—
Investment Companies		
Bank Leumi Invest	185	+10.5
Discount Bank Invest Br.	330	+0.5
'CLAL' Israel Invest	201.5	+9.5
'CLAL' Industries	100	−3.7
Commercial and Industrial		
Alliance Tire & Rubber	570	+99
Elco Br.	181.5	+8.0
Argaman Textile Br.	312	+11
'Ata' Textile 'B'	141.5	+13.5
Dubek Br.	457	+15
Elec. Wire & Cable Br.	168	+13
Solel Boneh 10% Pref. Br.	170	+5.0
American Israeli Paper Mills	320	+15
Assis	249	+16
Tall Manuf. of Plywood Br.	118	—
Elite	282	+18
Polygon	145	+6.0
Fuel and Oil		
Delek	205.5	+5.5
Otzar Hityashvuth Reg.	—	—
" " Bearer	—	—

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

Hong Kong $	July 18	July 11
Government Loan	0.85	0.85
Amalgamated Rubber	†1.50	1.55
Bowater	14.00	13.80
Cathay Securities	1.96	1.96
China Light & Power	15.20	14.90
City Hotels	†21.20	20.60
[illegible]	[illegible]	[illegible]

† Buyer. ‡ Seller. xd Ex-div.

SINGAPORE STOCKS

July 18	$	July 18	$
Industrials		Straits Trad'g	5.15
		Temengong	†1.25
Boustead	†0.52	U. Engineers	1.53
Boustead	4.16	Wearne	1.65
Dunlop	3.06	Tractor	†1.14
Esso	†2.60	Chemical	4.14
Fraser Neave	4.10	Will'm Jacks	†1.70
[illegible]	[illegible]	[illegible]	[illegible]

† Buyer. ‡ Sellers. xa Ex-all.

JOHANNESBURG

MINES; INDUSTRIALS

[illegible]

AUSTRALIA

[illegible]

CANADIAN WEEKLY LIST

[illegible]

GERMANY ◆

[illegible]

AMSTERDAM

[illegible]

MILAN

July 18	Price Lire	+ or −	Div. Lire	Yld. %
Assicura Priv.	1,200	+138	—	—
ANIC	700	−10	60	[illegible]
Assicura Ass.	4,090	−50	150	[illegible]
Bastogi	1,310	−5	70	[illegible]
Breda	2,130	+50	160	[illegible]
Burgo	12,000	−100	200	[illegible]
Cantoni	7,300	+200	200	[illegible]
CIGA	1,120	[illegible]	—	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

[illegible]

BRUSSELS

[illegible]

PARIS

[illegible]

VIENNA

[illegible]

SWITZERLAND ●

[illegible]

SPAIN ▼

[illegible]

COPENHAGEN

[illegible]

STOCKHOLM

[illegible]

OSLO ◆

[illegible]

OVERSEAS SHARE INFORMATION

NEW YORK

Investment premium based on $2.80 per £1—[illegible]

1975 High	1975 Low	Stock	July 18
8¼	5¼	Rapid America	6⅜
69¼	25¼	Raytheon	55
21	10⅜	RCA	20⅜
3½	1¼	Reading	2⅝
35¼	22⅜	Republic Steel	31⅜
80½	58½	Revlon	74¼
[illegible]	[illegible]	[illegible]	[illegible]

CANADA

[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

هكذا من الأصل

AUTHORISED UNIT TRUSTS

REGIONAL MARKETS

Following the merger last year of U.K. stock exchanges, a selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	14	......	Craig Ship £1	490	......	Shiloh Spinn	22	......
Ash Spinning	37	......	Hallam Sleigh 10p	7½	......	Sindall (Wm.)	43	......
Bertam	19	......	Higsons Brew	63	......			
Brady (G.) "A"	47	......	I.O.M. Stm. £1	120	......	IRISH		
Bdg'wtr. Est. 50p	120	......	Holt (Jos.) 25p	185	......			
Clover Croft	35	......	Kleen-e-Ze	24	......	Alliance Gas (£1)	50	......
Craig & Rose £1	310	......	Lovell's Ship £1	130	......	Carroll (P. J.)	109	......
Dyson (R.A.)	25	......	N'thn. Goldsmith	82	......	Clondalkin	49	......
Ellis & McHdy	57	......	P.M.A.	35	......	Concrete Prods.	55	......
Evans F'k. 10p.	36	......	Pearce (C. H.)	60	......	Goodbody (£1)	38	......
Everard	16	......	Peel Mills	16	......	Heiton (Hldgs.)	30	......
Fife Forge	47	......	Richards 10p	9	......	Irish Distillers	61	−1
Finlay Pkg. 5p	18	......	RobbCaledon5p.	29	−1	Irish Wire	40	......
Frost & Reed 50p	88	......	Sayers 12½p	5	−1	Jacob	50	......
Gardiner & Sons	12	......	Sheffield Brick	60	......	Sunbeam	11	......
Gardner (L.)	60	......	Sheff. Refrshmt.	145	......	Unidare	65	......

FINANCIAL TIMES STOCK INDICES

—	July 18	July 17	July 16	July 15	July 14	July 11	A year ago
Government Secs.	60.97	61.18	61.11	61.07	60.61	60.15	56.07
Fixed Interest	60.65	60.72	60.70	60.66	60.14	60.11	55.27
Industrial Ordinary	298.9	296.8	307.9	312.7	306.5	313.6	253.8
Gold Mines	345.3	350.6	361.6	364.1	370.8	367.8	365.5
Ord. Div. Yld. %	6.79	6.81	6.59	6.49	6.65	6.46	7.57
Earnings Yld. % (full)	19.61	20.29	19.64	19.34	20.07	19.09	20.09
P/E Ratio (net) (a)	7.21	7.04	7.28	7.39	7.20	7.49	6.97
Dealings marked	4,348	4,698	5,083	5,172	6,045	5,081	6,916
Equity turnover £m.	—	48.368	47.457	47.739	41.76	61.84	48.77
Equity bargains total	—	14,309	13,772	14,409	15,765	15,786	11,886

10 a.m. 298.8. 11 a.m. 296.3. Noon 297.1. 1 p.m. 297.2. 2 p.m. 298.9. 3 p.m. 297.3. Latest Index 01-246 8026.

(a) Based on 52 per cent. corporation tax. (b) Nil=7.17.

Basis 100 Govt. Secs. 15/7/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. S.E. Activity July-Dec. 1942.

HIGHS AND LOWS

—	1975 High	1975 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	62.34 (20/5)	49.18 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	62.41 (21/5)	50.63 (6/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	365.3 (2/6)	146.0 (6/1)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	442.3 (22/5)	280.2 (20/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	July 18	July 17
Daily—		
Gilt-Edged	144.1	147.5
Industrials	143.2	157.4
Speculative	53.9	47.8
Totals	99.0	106.9
5-day Av'rge		
Gilt-Edged	145.1	147.9
Industrials	174.4	176.9
Speculative	50.6	47.7
Totals	116.4	118.7

FT—ACTUARIES INDICES

—	July 18	July 17	July 16	July 15	July 14	July 11	A year ago
Industrial Group	121.41	122.15	124.96	125.64	124.19	127.24	101.52
500 Shares	134.82	135.68	138.72	139.55	137.63	140.47	108.94
Div. Yield pc	6.60	6.54	6.39	6.35	6.44	6.31	7.49
P/E Ratio (net)	6.65	6.68	6.82	6.86	6.81	6.95	8.47
All Share	132.63	133.32	136.13	136.93	135.19	137.58	107.69
Consols yield pc	13.76	13.76	13.75	13.75	13.93	14.01	15.12

BASE LENDING RATES

AFI International	9½%	Keyser Ullmann	10½%
Allied Irish Banks Ltd.	9½%	Kinghurst Securities	12 %
Anglo-Portuguese Bank	10 %	Knowsley & Co. Ltd.	11½%
Henry Ansbacher	10½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	London & European	11½%
Banco de Jerez	10½%	London Mercantile	11½%
Bank of Cyprus	‡10 %	Midland Bank	9½%
Banque du Rhone S.A.	10 %	■ Samuel Montagu	9½%
Barclays Bank	9½%	■ Morgan Grenfell	9½%
Barnett, Christie Ltd.	11 %	National Westminster	9½%
Bremar Holdings Ltd.	10½%	Northern Comm. Trust	10½%
Brit. Bank of Mid. East	9½%	Norwich General Trust	10 %
■ Brown Shipley	10 %	Portman Guaranty	11 %
Cayzer, Bowater Co. Ltd.	10½%	P. S. Refson & Co.	9½%
Cedar Holdings	10 %	Rossminster Accept'cs.	9½%
■ Charterhouse Japhet	10½%	Royal Trust of Canada	10½%
C. E. Coates	10½%	Schlesinger Limited	10½%
Consolidated Credits	12 %	E. S. Schwab	11½%
Continental Trade Bk.	9½%	Security Trust Co. Ltd.	11 %
Co-operative Bank	*9½%	Shenley Trust	11½%
Copleys Bank	11½%	Standard & Chartered	9½%
Corinthian Securities	9½%	Sterling Credit	12 %
Credit Lyonnais	9½%	Stewart Salmon & Co.	9½%
G. R. Dawes	10½%	Thames Guaranty	11 %
Duboff Brothers	11½%	Trade Dvlopmnt. Bk.	9½%
Duncan Lawrie	10½%	Twentieth Century Bk.	11½%
English Transcont.	11½%	United Bank of Kuwait	9½%
First London Secs.	9½%	Wallace Brothers Bank	10½%
■ Antony Gibbs	10 %	Whiteaway Laidlaw	10 %
Goode Durrant Trust	10 %	Williams and Glyn's	9½%
Greyhound Guaranty	9½%	Yorkshire Bank	9½%
Grindlays Bank	10 %		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Hawtin & Partners	13 %		
■ Hill Samuel	§10 %		
C. Hoare & Co.	†9½%		
Julian S. Hodge	10½%		
Industrial Bank of Scot.	9½%		
Jacobs, Kroll	11½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 6½%, 1-month deposits 6½%.

† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 6¾% and over £25,000 7%.

‡ Deposit Base Rate 9½%.

§ Demand deposit 7½%.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

CORAL INDEX: Close 296-301 I.G. INDEX: GOLD 163-166

This Advertisement appears as a matter of record only and does not constitute an offer or invitation to subscribe or purchase any shares or other securities.

A copy of this document, having attached thereto the documents specified below, has been delivered to the Registrar of Companies in London for registration.
This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange in London for the purpose of giving information to the public with regard to the Company and the IDRs. The Directors, together with the other members of the Advisory Council and the Board of Advice, collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.
Application has been made to the Council of The Stock Exchange in London for permission for the whole of the issued share capital of the Company and the International Depositary Receipts referred to herein to be admitted to the Official List.

Brazilian Investments S.A.

Sociedade de Investimento

Decreto-Lei No. 1401

(Incorporated in Brazil C.G.C. No. 42 463 208/0001—97)

Memorandum relating to a placing of up to 140,000 depositary shares at U.S. $106 per depositary share

(each depositary share to represent such number of shares of the Company of Cr. $1 par value as may be acquired at a price equal to their attributable net asset value with the amount of Cr. $ which may be purchased with U.S. $100).

Depositary Shares will be represented by International Depositary Receipts of Morgan Guaranty Trust Company of New York ("IDRs") in denominations of 100 depositary shares each.

James Capel & Co.

INVESTMENT MANAGER
Banco Bozano, Simonsen de Investimento S.A.,
Avenida Rio Branco 138 3° Andar, Rio de Janeiro.

CUSTODIAN
Bank of London and South America Limited,
Rua da Alfandega 29-35, Rio de Janeiro.

BANKERS
Morgan Guaranty Trust Company of New York,
Avenue des Arts 35, 1040 Brussels.
Banco Bozano, Simonsen S.A.,
Avenida Rio Branco 138 Loja, Rio de Janeiro.

DEPOSITARY
Morgan Guaranty Trust Company of New York,
Avenue des Arts 35, 1040 Brussels.

PAYING AGENTS
Morgan Guaranty Trust Company of New York,
Avenue des Arts 35, 1040 Brussels.
33 Lombard Street, London EC3P 3BH.
23 Wall Street, New York, N.Y. 10015.

LEGAL ADVISERS
In London: Norton, Rose, Botterell & Roche,
Kempson House, Camomile Street, London EC3A 7AN.
In Brazil: Lino Pereira da Silva,
Rua Anfilofio de Carvalho 29 Grupo 1103/4, Rio de Janeiro.

AUDITORS
Price Waterhouse Peat & Co.,
Avenida Rio Branco 138 16° Andar, Rio de Janeiro (*Accountants*).

BROKERS
James Capel & Co.,
100, Old Broad Street, London EC2N 1BQ and The Stock Exchange, London.

REGISTRAR
Banco Bozano, Simonsen de Investimento S.A.,
Avenida Rio Branco 138 3° Andar, Rio de Janeiro.

REGISTERED OFFICE
Avenida Rio Branco 138 8° Andar, Rio de Janeiro.

Investment Objectives and Policy

Brazilian Investments S.A. Sociedade de Investimento Decreto-Lei No. 1401 ("the Company") is a Special Investment Company incorporated in Brazil and subject to the Regulations issued pursuant to Resolution 323 of the Central Bank of 8th May, 1975 acting in accordance with Decree-Law No. 1401 of 7th May, 1975 of the Republic of Brazil ("the Regulations") which regulate the establishment, administration and operations of Special Investment Companies in Brazil. Its purpose is to provide a medium through which investors resident outside Brazil may participate in the Brazilian stock market whilst obtaining the benefits of proven investment management and a diversified investment portfolio. The Company will seek a balance of capital growth and income by long term investment in securities of companies which are representative of those sectors of the Brazilian economy which, in the view of management, have growth potential.

The Company's investments will be made in accordance with the Regulations and are therefore subject to the restrictions stipulated therein which are summarised below under "Investment Restrictions". It will be the general policy of the Company to invest, either by way of purchase on the Brazilian Stock Exchanges or by participating in private placements or subscribing new shares, primarily in equities and convertibles of Brazilian companies listed on the Brazilian Stock Exchanges. Particular attention will be paid to well established companies within important industries for whose shares there is an active market. The Company may also invest in fixed interest securities.

Under certain circumstances the Company may vary its general investment policy. In particular, changes in market, economic or political conditions may dictate, as a defensive measure, a reduction in equity investment and an increased commitment in fixed interest securities or in Treasury Bills of the Federal Government of Brazil. The Company may also deem it advisable, as a temporary measure, to invest in Government or other prime obligations on a short term basis, in order to have funds readily available for general corporate purposes, including operating expenses, the payment of dividends or the investment in securities through the exercise of rights or otherwise.

The success of the Company's investment policy will be subject to market fluctuations and prevailing economic conditions and there can be no assurance that its investment objectives will be achieved.

Use of Proceeds

The Company proposes to invest the net proceeds of the placing in accordance with the policies set out above. The Company's management believes that there are investment opportunities available in Brazil at the present time, although no portion of the proceeds of the placing has been allocated for the purpose of making any particular investment. Prior to investment of the net proceeds of the placing in accordance with the investment policy, the Company may invest such proceeds in short-term obligations of the Federal Government of Brazil. In this connection the Central Bank has undertaken to accept foreign currency deposits from Special Investment Companies of funds pending their investment provided that such deposits are withdrawn by the depositing company not later than 4th November, 1975, interest being paid in the meantime at a rate established by reference to rates prevailing in the London Interbank Market for deposits of that currency.

Investment Advice

Board of Advice

The Board of Advice has been appointed for 3 years by the Directors of the Company to assist the Advisory Council in its functions as described below.

The members of the Board of Advice who are not already members of the Advisory Council will join the Advisory Council subject to Central Bank approval.

Sir Geoffrey Wallinger (72), Chairman of the Board of Advice and President of the Advisory Council, was a director of Bank of London and South America Limited from 1963 to 30th June, 1975 and a director of Lloyds Bank International Limited from 1st April, 1974 to 30th June, 1975: he was British Ambassador to Brazil from 1958 to 1963. Mr. E. P. Colquhoun (38) has been engaged in investment management since 1959 and has been a managing director of Henderson Administration Limited, investment trust and fund managers, since 1969: he is a member of The General Committee of the Association of Investment Trust Companies. Micheline Courty (42) and Monique Kaplan (46) joined Société Générale in 1970 since which date they have managed investment funds on behalf of that bank: in addition they are responsible for the management of several international investment companies. Sir John Cuninghame (39) has been a director of Morgan Grenfell & Co. Limited since 1973 and is director in charge of international investment: he is a director of EUPIC Services B.V. which is a managing director of European Property Investment N.V. Mr. A. G. Down (36) joined James Capel & Co. in 1969 and has been in charge of that firm's corporate finance department since 1973. Mr. L. E. Linaker (40) joined M & G Group Limited as an investment manager in 1964 and is joint managing director of M & G Investment Management Limited and deputy investment director of M & G Group Limited: he is a director of Brunner Investment Trust Limited, External Investment Trust Limited, M & G Dual Trust Limited, M & G Second Dual Trust Limited and Transatlantic & General Investments Limited. Mr. A. R. McInroy (55) has been involved in investment trust and fund management since 1953 and has been managing director of Edinburgh Fund Managers Limited since its formation in 1969: he is a director of Crescent Japan Investment Trust Limited. Mr. W. R. Wirth (44) joined Credit Suisse in 1961 and has been director of research since 1968 and director of the bank's investment funds department since 1973.

Advisory Council

The Advisory Council has been appointed by the founder shareholders of the Company and is subject to reappointment in general meeting every 3 years. The Board of Directors will consult the Advisory Council from time to time on relevant aspects of the Company's affairs but, in particular, will submit to the Advisory Council projected plans for the investment and dividend policies of the Company. In accordance with the Articles of Incorporation of the Company, the functions of the Advisory Council are (i) to advise on the investment policy of the Company, (ii) to approve the Company's budget as submitted by the Directors on a quarterly basis, (iii) to approve management plans established by the Directors, (iv) to examine the operations and general business of the Company, (v) to advise the Directors when consulted by them and (vi) to advise on the dividend policy of the Company.

The Advisory Council will meet when convened by its President or one third of its members and has power to require the Board of Directors to convene meetings of shareholders. In the event of an equality of voting on any resolution before the Advisory Council, its President has a casting vote.

Investment Manager in Brazil

In accordance with the Regulations, Banco Bozano, Simonsen de Investimento S.A. ("Bozano") has been approved as Investment Manager to the Company by the Central Bank.

Bozano has been involved in investment management in Brazil since its formation in 1967 following government legislation permitting the establishment of investment banks in Brazil. The principal shareholder of Bozano is Cia. Bozano, Simonsen—Comercio e Industria which is the holding company of the Bozano, Simonsen Group which on 30th June, 1975 owned 44.2 per cent. of Bozano's capital and 50.8 per cent. of its voting shares: holdings in the total capital of Bozano controlled by non-residents comprised Mellon National Corporation 25 per cent.; The Nomura Securities Company Limited, 5 per cent.; The Mitsui Bank Limited, 5 per cent. and associated companies of British-American Tobacco Company Limited, 10 per cent.

Bozano, through a subsidiary brokerage company, is a member of the Rio de Janeiro and Sao Paulo Stock Exchanges and, in addition to investment management, is engaged primarily in domestic and international banking, underwriting and distribution of securities for Brazilian companies, mergers and acquisitions for Brazilian companies and in handling direct investment in Brazil for non-Brazilian corporations.

The Company and Bozano have agreed (contract (i) below) that Bozano will act as investment manager in Brazil in accordance with the Regulations. The appointment is for an initial period of 3 years from 5th June, 1975 and thereafter until terminated by not less than 60 days' notice expiring on 30th September in any year given by the Company (or by Resolution of shareholders of the Company) to Bozano or by Bozano to the Company. Further, the appointment may be terminated by the Company if, in the view of the Advisory Council, there has been a material change in the effective control of Bozano or in the event of the bankruptcy of Bozano. For its services, Bozano will be entitled to a fee calculated on a day-to-day basis and payable monthly in arrears at the rate of 1½ per cent. per annum on the net asset value of the Company, calculated in accordance with the Regulations as mentioned below under "Redemption Procedure". In addition to the foregoing fee, Bozano will be entitled, pursuant to the said Agreement, to receive from the Company commission on investments acquired by the Company on the advice of Bozano calculated at a rate not exceeding those customarily paid in Brazil for such transactions. In calculating the above commissions, no account will be taken of, and Bozano will be entitled to retain, any other commissions or fees payable to Bozano in connection with any investment of the Company. Bozano is obliged to provide monthly to the Advisory Council and the Directors full particulars of all commissions paid and received by Bozano in respect of any sale, purchase or subscription of any securities by the Company.

Management and Administration

Board of Advice and Advisory Council

***Sir Geoffrey Arnold Wallinger, G.B.E., K.C.M.G.** (*Chairman*),
10 Moore Street, London SW3 2QN. (*British*).

***Ernest Patrick Colquhoun,**
40 Markham Street, London SW3 3NR. (*British*).
Managing Director, Henderson Administration Limited.

Micheline Courty,
23 Rue Campagne Première, 75014 Paris. (*French*).

Monique Kaplan,
76b Rue Lecourbe, 75015 Paris. (*French*).
Directeurs Intercroissance, Société Générale.

***Sir John Christopher Foggo Montgomery Cuninghame, Bt.,**
52 Scarsdale Villas, London W8 6PU. (*British*).
Director, Morgan Grenfell & Co. Limited.

***Ashley Gordon Down,**
2 Brunswick Gardens, London W8 4AJ. (*Australian*).
Partner, James Capel & Co.

***Laurence Edward Linaker,**
23 Chepstow Place, London W2 4TT. (*British*).
Deputy Investment Director, M & G Group Limited.

Alan Roderick McInroy,
Muirfield Green, Gullane, East Lothian, Scotland. (*British*).
Managing Director, Edinburgh Fund Managers Limited.

William Ralph Wirth,
Hirslanderstrasse 22, 8029 Zurich, Switzerland. (*Swiss*).
Director of Investment Research and Investment Funds, Credit Suisse.

†Sergio Coutinho de Menezes,
Rua Joaquim Nabuco 212 Apto. 203, Rio de Janeiro. (*Brazilian*).
Chief Executive, Banco Bozano, Simonsen de Investimento S.A.

†Geoffrey Ainsworth Langlands,
Avenida Bartolomeu Mitre 33 Apto. 1303, Leblon, Rio de Janeiro. (*Brazilian*).
Investment Director, Banco Bozano, Simonsen de Investimento S.A.

†Jones Graham Kellock,
Rua Timoteo da Costa 623 Apto. 1402, Leblon, Rio de Janeiro. (*British*).
Director, Banco Bozano, Simonsen de Investimento S.A.

†William Robin Blackhurst,
Rua Nascimento Silva, 351 6° Andar, Rio de Janeiro. (*British*).
Director, Banco Bozano, Simonsen de Investimento S.A.

†Fernando Paulo de Lima Guerreiro,
Rua Moura Brito 209 Apto. 506, Tijuca, Rio de Janeiro. (*Brazilian*).
Deputy Director, Banco Bozano, Simonsen de Investimento S.A.

*Member of Board of Advice and Advisory Council
†Member of Advisory Council only

Board of Directors

Sergio Coutinho de Menezes (*Director-President*),
Rua Joaquim Nabuco 212 Apto. 203, Rio de Janeiro. (*Brazilian*).
Chief Executive, Banco Bozano, Simonsen de Investimento S.A.

Geoffrey Ainsworth Langlands (*Director-Superintendent*),
Avenida Bartolomeu Mitre 33 Apto. 1303, Leblon, Rio de Janeiro. (*Brazilian*).
Investment Director, Banco Bozano, Simonsen de Investimento S.A.

Jones Graham Kellock,
Rua Timoteo da Costa 623 Apto. 1402, Leblon, Rio de Janeiro. (*British*).
Director, Banco Bozano, Simonsen de Investimento S.A.

William Robin Blackhurst,
Rua Nascimento Silva, 351 6° Andar, Rio de Janeiro. (*British*).
Director, Banco Bozano, Simonsen de Investimento S.A.

Fernando Paulo de Lima Guerreiro,
Rua Moura Brito 209 Apto. 506, Tijuca, Rio de Janeiro. (*Brazilian*).
Deputy Director, Banco Bozano, Simonsen de Investimento S.A.

The information contained herein with respect to the Brazilian Regulations (as defined hereafter) and their effect on an investment in the Company is based on the text of those Regulations as adopted in Brazil on 8th May, 1975 and on the interpretation currently attributed to those Regulations by the Central Bank of Brazil ("the Central Bank"). The Regulations and their interpretation could be subject to alteration.

The shares and the IDRs have not been registered under the Securities Act of 1933 of the United States of America and (except as referred to under "United States Private Placement" below) may not be offered or sold, directly or indirectly, in the United States of America (or its territories or possessions) or to nationals or residents thereof.

The delivery of this document to any person who is not a professional adviser or dealer in securities is or may be contrary to the laws of certain jurisdictions and is prohibited in those jurisdictions.

The shares and IDRs are being placed only on the basis of the information and representations contained in this document and no person is authorised to give any information other than that contained herein.

Intending subscribers should inform themselves as to any taxation or exchange control legislation affecting them personally. For United Kingdom Exchange Control purposes the shares and IDRs will be foreign currency securities as defined in Exchange Control Notice EC7 (Second Issue) as amended. IDRs held by residents of the United Kingdom for exchange control purposes must be held by or to the order of an Authorised Depositary.

All references in this document to "Dollars" and "$" are to U.S. dollars and to "Cruzeiros" and "Cr $" are to Brazilian cruzeiros. As at 9th July, 1975 the rate of exchange between Cruzeiros and Dollars was Cr $8.105 = $1.

Board of Directors

All the Directors of the Company are directors (or deputy directors) of Bozano and Banco Bozano, Simonsen S.A. ("Banco Bozano"), the commercial bank in the Bozano, Simonsen Group and are accordingly experienced in the Brazilian investment and commercial banking sector. Mr. S. C. de Menezes (37) has been a director of Bozano and Banco Bozano since 1972 and Chief Executive of Bozano since 1974. Mr. G. A. Langlands (39) has been involved in investment management and advice in Brazil since 1960 and in charge of the investment department of Bozano since 1969, becoming a director of Bozano in 1970 and of Banco Bozano in 1972. Mr. J. G. Kellock (47) has been involved in international banking for 16 years: since 1972 he has been in charge of the corporate finance department of Bozano, becoming a director of Bozano and Banco Bozano in 1973. Mr. W. R. Blackhurst (40) has been involved in banking in North and South America for 18 years and is in charge of Bozano's credit department, becoming a director of Bozano in 1968 and Banco Bozano in 1972. Mr. F. P. de Lima Guerreiro (31) is the financial controller of Bozano and Banco Bozano and has been a deputy director of Bozano and Banco Bozano since 1973.

Custodian

The Company has entered into a Custodian Agreement (contract (ii) below) with Bank of London and South America Limited ("the Custodian") whereby the Custodian will act as custodian of all securities owned by the Company (other than Brazilian Treasury bills which have to be lodged with the Central Bank) and during the continuance of such custodianship all securities and any certificates or documents of title in respect of investments of the Company will be deposited with the Custodian or delivered to the order of the Custodian.

Administration

In accordance with the Regulations the day to day administration of the Company will be managed by Bozano (contract (i) below). Under such contract, Bozano have undertaken (*inter alia*) to provide the Company with office facilities, to keep the Advisory Council and the Directors promptly informed of the contents of all material correspondence or notices received by the Company, to register all relevant information (including all necessary registrations of capital) with the appropriate Brazilian authorities and to keep the books of account and statutory books of the Company. Bozano will also provide the Advisory Council and the Directors with monthly statements of account required under the Regulations to be lodged with the Central Bank, which will include full particulars and a valuation of the investment portfolio and particulars of the bank balances held by the Company in each of its Brazilian bank accounts and of the profit or loss realised on each sale made by the Company during the period concerned. Further, Bozano will make available a daily net asset valuation to the Company's Brokers in London which will be available for inspection at their offices and will be published at least monthly in the Financial Times of London. For these services Bozano will be entitled to receive from the Company certain operating costs specified in the said contract and such further administrative and operational expenses not exceeding the Cruzeiro equivalent of $50,000 per annum as are agreed with the Advisory Council.

Registration of Capital

The net proceeds of the placing will be remitted to Bozano, converted into Cruzeiros, registered in Dollars at the Central Bank in accordance with the Regulations and applied in acquiring or subscribing shares of the Company. Proceeds of acquisition and subscription of the shares of the Company underlying each IDR in the initial issue (that is to say each net $10,000 invested) will be the subject of a separate registration bearing the same date. The date of each separate registration will be the commencement date for calculating the period of investment in Brazil for the purposes of redemption and remittance from Brazil of the original registered capital, dividends and capital gains and the determination of applicable withholding taxes relating to such dividends and capital gains (see below). The amount of funds in Dollars appearing in the register is herein referred to as "registered capital".

Taxation

As a Special Investment Company the Company, so long as it complies with the Regulations, will be exempt from income tax on its dividend and interest income and from capital taxes on any profits arising on the sale of its investments.

The Company, under the Regulations, will be entitled to distribute net income without limit subject to Brazilian withholding tax at the basic rate of 15 per cent. on any dividends paid prior to the sixth anniversary of the relevant date of registration, which rate reduces to 12 per cent. and 10 per cent. on the sixth and seventh such anniversaries and to 8 per cent. on the eighth anniversary. In the event that on conversion from Cruzeiros into Dollars the net annual distribution after deduction of basic withholding tax exceeds 12 per cent. of the original registered capital, a supplementary withholding tax is levied at the rate of 40 per cent. on the excess over 12 per cent. and up to 15 per cent., at the rate of 50 per cent. on the excess over 15 per cent. and up to 25 per cent. and at the rate of 60 per cent. on the excess over 25 per cent. However, in each fiscal year the net amount remitted may exceed 12 per cent. of original registered capital without attracting any supplementary withholding tax, provided that the total remittance in any one year does not exceed 36 per cent. of such registered capital and that such excess does not itself exceed the aggregate of the amounts by which distributions in any previous year fell short of an annual rate of 12 per cent. of original registered capital. Supplementary withholding taxes cease to be levied after the eighth anniversary of the relevant date of registration provided that there has been no intervening redemption of capital.

Withholding taxes on capital gains are referred to below under the heading "Redemption of Shares".

Redemption of Shares

In accordance with the Regulations, shareholders may redeem their shares and repatriate the proceeds from Brazil on the following basis:—

(1) No redemptions may be made until the third anniversary of the original capital registration but, in each of the five 6 monthly periods immediately following such third anniversary, a shareholder may redeem shares at net asset value having an aggregate net asset value (determined in accordance with the Regulations) not exceeding 20 per cent. of the original capital registered in his name. The 20 per cent. maximum limit on redemptions is cumulative so that redemptions during any such 6 monthly period may be increased to take into account amounts by which redemptions in any previous 6 monthly periods have fallen short of the 20 per cent. limit.

(2) After expiry of a period of five years and six months from the date of original registration, any shares not already redeemed may be redeemed by shareholders at net asset value at any time.

Repatriation of the original registered capital may be effected free of all Brazilian withholding taxes. Proceeds of redemption of shares in excess of the original registered capital will be taxed on the same basis as, and for tax purposes will be aggregated with, dividends as mentioned above. Any redemption of shares made before the eighth anniversary of the date of original registration will fix the basic rate of withholding tax payable on all subsequent remittances made from Brazil relating to that registration other than in respect of the original registered capital. Accordingly, any shareholder who maintains his entire investment in Brazil for more than 8 years from the date of original registration will be subject to withholding tax at the rate of 8 per cent. on any capital gain whenever remitted thereafter.

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Brazilian Investments S.A. *continued*

Redemption Procedure

Subject to the restrictions referred to above redemptions may be effected by application in writing to the Company at its registered address.

Under the Regulations the net asset value of the Company will be determined for the purposes of redemptions as at the first day on which normal banking services are available following receipt of the relevant application by the Company on the following basis:—

(a) Shares traded on a Brazilian Stock Exchange will be valued at their middle market price on the last day on which a transaction in such shares took place on such Stock Exchange.

(b) Shares not traded on a Brazilian Stock Exchange will be valued at their net asset value ascertained by reference to the last balance sheet of the company concerned, or, at their nominal value, if the latter is below net asset value.

(c) New shares not yet traded on a Brazilian Stock Exchange will be valued at their subscription or acquisition price for a period of one year from the date of subscription or acquisition pending listing.

(d) Other securities will be valued at cost plus accrued income in accordance with relevant rules laid down from time to time by the Central Bank or at their quoted price on a Brazilian Stock Exchange in the case of convertible debentures which are traded daily on such Stock Exchange.

(e) Net asset value of the Company will be determined by adding to the value of the investment portfolio ascertained in the manner outlined above cash and accounts receivable, and deducting therefrom all liabilities.

Payment by the Company for redeemed shares will be made in cash within a period of 10 working days from the receipt by the Company of the application for redemption accompanied by the relevant share certificates.

Upon surrender to Morgan Guaranty Trust Company of New York ("the Depositary") of IDRs with talon and all coupons not previously designated for surrender attached together with a notice in form satisfactory to the Depositary duly executed and stating that the holder desires to redeem some or all of the underlying shares represented by the relevant IDR, the holder will be entitled to delivery at the office of the Depositary of (i) a cash sum in dollars representing the proceeds of redemption of the underlying shares requested to be redeemed, subject always to such request for redemption being permissible under the Regulations and (ii) in the case of a partial redemption, a balancing IDR in respect of unredeemed shares.

Application will be made for balancing IDRs to be dealt in on The Stock Exchange in London on the basis that the registered capital attributable to the underlying shares represented by such IDRs is reduced by 20 per cent. on the third anniversary of the relevant date of original registration and on the expiry of each of the four succeeding six monthly periods.

Redemptions may be suspended temporarily in the case of war, revolution, moratorium, exceptional decree of bank holidays, serious disturbance in the business of the Brazilian Stock Exchanges or the occurrence of other events of a similar nature, which render impossible or impracticable the determination of the fair value of the shares of the Company. Notice of any such suspension must be given to the Central Bank and will be given to The Stock Exchange in London.

Investment Restrictions

The Company may not borrow or lend, invest in real property or commodities, make any short sales or otherwise trade in securities not owned by it, give guarantees or create any charge or security interest on any of its assets. The Company may not invest in shares of brokerage firms, companies which engage in the management of credit cards, insurance and savings companies, financial institutions, nor in other investment funds or companies. Furthermore the Company may not invest in any company related (as defined in the Regulations) with Bozano; this limitation does not refer to companies which are connected with Bozano in the ordinary course of business. The Company may not make any investment outside Brazil.

Under the Regulations, at least 50 per cent. of the total value of the investments of the Company is required to be made in shares or convertible securities of "open capital" companies (being companies the shares of which are regarded by the Brazilian authorities as being publicly held) which are controlled by private sector Brazilian interests, acquired by purchase on the Brazilian Stock Exchanges or by subscription made available to the public. The remaining funds may be invested in any or all of (a) cash or Brazilian Treasury Bills, (b) debentures issued by "open capital" companies which are controlled by private sector Brazilian interests, (c) equities listed on the Brazilian Stock Exchanges and (d) new issues of unquoted securities registered with the Central Bank for public issue. Further, an investment in any single company may not exceed 10 per cent. of the total value of the investments of the Company, nor may more than 10 per cent. of the voting capital, nor more than 20 per cent. of the entire capital, of any single company be held nor may the average value of investments in each individual company exceed 5 per cent. of the total value of the investments. In the event that any of the foregoing percentage limits is exceeded as a result of shares received in lieu of dividends or the exercise of preferential rights or market action, the limit must be reinstated within 12 months which period is subject to a 6 month extension in circumstances approved by the Central Bank.

Dividends

It will be the policy of the Board to procure that, so far as income is available and the Regulations permit, the Company will pay dividends (after deduction of Brazilian withholding tax at the basic rate of 15 per cent.) of the Cruzeiro equivalent of up to 12 per cent. of the registered capital in Brazil in each year (namely, the maximum amount at which the basic rate of withholding tax is levied). Dividends will be paid in Cruzeiros, which will be converted into Dollars at current market rates. The first dividend will be paid in respect of the financial year ending 30th September, 1976. The Company will not distribute by way of dividend any surplus arising from the sale or other realisation of investments in excess of their book value.

Brazil

The Economy

Brazil is the fifth largest country in the world with an area approximately the size of the United States. It is the most populous country in Latin America with approximately 103 million inhabitants and a demographic growth of approximately 2.9 per cent. per annum. Some 42 per cent. of the people are under 15 years of age and some 56 per cent. are located in urban areas. Brazil's population gives it a sizeable pool of manpower and its large territory has substantial reserves, both agricultural and mineral. Its economic potential is considerable and there are grounds for claiming that the potential is being effectively developed.

The prime reasons for the increased momentum of Brazil's development in the last ten years have been the development of a stable political environment and improvements in government planning, organisation and administration. The essential elements of these policies include:—

—improvement in the efficiency of the taxation system;
—increase in the rate of capital formation;
—expansion of domestic demand and export income;
—utilisation of foreign capital;
—firm control over resource allocation;
—the maintenance of a balanced budget.

These policies have provided the confidence necessary for the private sector to plan and implement investment with increased certainty and have contributed to the high rates of economic growth illustrated below.

Economic Indicators

Year	Gross Domestic Product 1972 Prices $ million	Gross Domestic Product Annual Change per cent	Per Capita Income 1972 Prices $	Per Capita Income Annual Change per cent	Foreign Trade Exports (FOB) $ million	Foreign Trade Imports (FOB) $ million	Overall Balance of Payments Surplus (Deficit) $ million
1968	41,504	9.3	473.8	6.3	1,881	1,855	32
1969	45,240	9.0	501.5	5.9	2,311	1,993	549
1970	49,538	9.5	533.8	6.4	2,739	2,507	545
1971	55,136	11.3	577.9	8.2	2,904	3,247	530
1972	60,870	10.4	619.8	7.3	3,991	4,235	2,439
1973	67,809	11.4	671.3	8.3	6,199	6,192	2,179
1974	74,319	9.6	715.3	6.5	7,968	12,531	(1,049)

Indices of Industrial Production (1970=100)

	1969	1970	1971	1972	1973	1974
Brazil	90	100	111	127	145	162
Canada	98	100	105	113	123	127
France	94	100	106	114	122	128
Italy	94	100	100	104	114	121
Japan	88	100	103	110	129	130
United Kingdom	99	100	101	103	110	110
United States	104	100	100	108	118	118
West Germany	94	100	102	106	113	114

Model for Development

The Government's overall economic policy has been established so that the growth of Gross Domestic Product will be reflected not only in the expansion of the total real product but will also permit an effective increase in the standard of living for all classes and regions.

The Brazilian model for development has provided a basis for economic expansion whilst combating inflation and attempting to neutralise the distortions caused by inflation. The model is centred on four distinctive aspects:—

(a) a statutory wage formula,
(b) monetary correction,
(c) flexible exchange parities, and
(d) innovations to the taxation system directed primarily to support export industries, underdeveloped regions and the capital market.

A wage control formula is used to adjust annually minimum salary levels, wages of civil servants and all other wages which are subject to collective negotiation. The formula is based on the following principles:—

(i) that the average purchasing power of the new income level should be equal to the purchasing power of that level during the preceding 12 months, plus a percentage relative to the anticipated increase in national productivity over the ensuing 12 months, and

(ii) that all readjustments should remain in force for the ensuing period of 12 months.

For the purposes of calculating the adjustment the Government takes into account the published cost of living indices for the preceding 12 months as well as the estimated rate of inflation for the next 12 months. The productivity element in the wage increase is determined by the Government. This statutory wage control formula has had the following effects. In the first place, it has served to simplify and pacify collective wage-claim negotiations; these are no longer resolved by rounds of strikes and other forms of collective pressure, but by mathematical calculations. Secondly, the formula makes wage adjustments uniform thus preventing the distortions created by powerful unions which might negotiate better terms than other groups with less cohesive bargaining power. Thirdly, it acts as an automatic brake on cost push inflation.

Monetary correction is used to neutralise the distortions created by inflation. It applies to both assets and liabilities and therefore, *inter alia*, takes into account investments, most fixed income securities, rents, mortgages, longer-term lending and the taxation system. The overall return on public and private fixed income securities issued for terms of two years or more is maintained at a realistic level by monetary correction, either by an adjustment to the principal or by an addition to the amount of interest paid. The overall return, therefore, includes not only the pre-established rate of interest but also an amount in respect of the rate of inflation over the relevant period. In the case of individuals the monetary correction element is not subject to taxation. Furthermore, companies must by law revalue their fixed assets annually based on official indices and the corresponding adjustments are made to depreciation allowances; the inflationary erosion of net working capital is allowable as a charge for taxation purposes. In corporate terms, this effectively means that only real profits are taxed thus avoiding decapitalisation and protecting earning power, thereby allowing management to plan future operations more effectively.

Beginning in August 1968, the Government adopted an exchange rate system whereby the parity of the Cruzeiro against the Dollar is adjusted by small percentages at irregular intervals. This flexible system has helped to maintain a stable income for exporters and has effectively eliminated speculation in foreign currency.

The application of traditional fiscal and monetary policies, supplemented by the measures mentioned above, resulted in a fall in the annual average rate of inflation from 90.5 per cent. in 1964 to a low of 15.5 per cent. in 1973. In line with other western countries, inflationary pressures were strong in 1974, and the rate increased to 28.9 per cent. in that year. Measures introduced during 1974, including a reduction in the rate of growth of the money supply, have led to a decrease in inflationary pressures and figures for the first five months of 1975 indicate an annual rate of inflation of approximately 25 per cent.

To support a high rate of economic expansion the Government has taken measures to encourage domestic savings which have recently been estimated at 23 per cent. of the country's Gross Domestic Product. Recourse to the international capital markets has been necessary, taking the form of substantial public and private sector borrowing. In addition, direct investment in Brazil has been encouraged by high tariffs and specific government fiscal and financial incentives.

Current Strategy

The principal elements of Brazilian economic strategy to maintain the high growth of Gross Domestic Product, as currently practised and outlined in the Government's Second National Development Plan 1975-1979, include continued reliance on the market mechanism as an allocator of resources, limitation of the role of the public sector, promotion and protection of private enterprise, avoidance of external liquidity problems, maintenance of the monetary correction system, avoidance of distortions in relative prices and positive utilization of foreign capital. The Government's plan further provides for substantial increases in resources allocated to education, health, sanitation and housing and an improvement in the distribution of income to maintain social stability.

In addition current world economic conditions call for a concentrated effort on import substitution, particularly in the areas of petroleum, steel, non-ferrous metals, chemicals and fertilisers, paper and pulp and capital goods. Conversely high priority is being maintained on the expansion and diversification of exports.

Capital Market

The borrowing requirements of corporations are met in the following manner:—

(a) loans by investment banks for terms which normally do not extend beyond two years;
(b) foreign loans initiated by investment banks;
(c) investment banks acting as intermediaries and guarantors for loans by government agencies, the terms of which vary from three to eight years;
(d) longer term loan capital available directly from government agencies and development banks;
(e) working capital primarily provided by the commercial banks who are permitted to lend up to 180 days.

Equity requirements remain unsatisfied. Corporate retained earnings, although high, are insufficient to provide the necessary equity base for continued expansion.

Recourse to the new issue market was assisted by the stock market boom of 1969-71. However, the major proportion of the equity funds subscribed since 1972 has been for government controlled and multinational corporations. This has been at the expense of Brazilian controlled companies in the private sector. To compensate for this the Government has redirected taxation incentives to encourage investment in these companies. Furthermore, the recent regulations allowing foreign portfolio investment have been structured so that a substantial proportion of investment is directed towards these companies.

The Stock Market

There are 14 Stock Exchanges in Brazil, but over 95 per cent. of the trading is concentrated in Rio de Janeiro and Sao Paulo. Although overall turnover is slightly higher in Sao Paulo and a larger number of shares are traded, the Rio de Janeiro market tends to concentrate on traditional issues with a more established liquidity. There are 550 companies listed on the Sao Paulo Exchange and 211 on the Rio de Janeiro Exchange. However, trading is confined to less than half that number, and at this time there is a regular market for approximately 100 issues. Trading in the shares of Banco do Brasil, Belgo Mineira, Petrobrás and Cia. Vale do Rio Doce accounts for over 50 per cent. of the volume in value terms.

One of the main reasons for the concentration of market turnover in the above companies is the substantial participation of private investors and their primary concern with short term gains, thus preferring issues which are readily negotiable. In terms of turnover, there is a secondary group of some 40 companies which have been traded for many years and account for approximately 35 per cent. of turnover; their appeal is largely institutional. The balance of trading is represented by issues made during the 1969-71 period. The securities traded are primarily ordinary and fully participating preference shares, normally in bearer form.

The policy of economic stabilisation and strengthening the capitalist system adopted from 1964 has had as one of its most important results the expansion and development of the equity market. The cornerstone of this development was the Capital Market Law (Law No. 4728 of July 1965) which established rules, controls and incentives for investment in publicly held companies. It introduced the philosophy of disclosure and created new institutions, such as investment banks, and a framework for the expansion and reorganisation of Stock Exchanges and member firms.

Decree-Law 157 of February 1967 provided an important incentive to equity investment. Investment banks and brokers were permitted to establish mutual funds to allow companies and individuals to invest 10 per cent. of personal income tax and 5 per cent. of corporate tax directly into these funds. Subsequently the corporate tax benefit has been removed and the personal tax credit has been increased to a range of 10 to 24 per cent. The effect of the law was threefold:—

(a) interest in equity investment was increased;
(b) investment banks and some brokers developed investment and research departments; and
(c) a new source of capital financing became available which encouraged companies to seek quotations on a Stock Exchange.

Increased activity by institutional investors caused a rise in share prices during 1967 and 1968 but public interest in the stock market remained relatively dormant until 1969. At the end of 1968, the Government produced a series of laws which were to provide a stimulus to the investing public. Resolution 106 of the Central Bank made the process of obtaining "open capital" status more accessible, thus creating a wider range of investment opportunities; Decree-Law 401 suspended taxation on the capitalisation of reserves, favouring the distribution of bonus issues, which proved attractive to investors; and Decree-Law 403 provided for more equitable taxation of dividends as compared with interest.

The effects of the above measures, in conjunction with the improvement in corporate earnings and financial ratios became more evident after 1968. These factors, combined with the high rate of economic growth which commenced in the same year, were the main causes of the rise in share prices which developed into a boom in late 1970 and the first half of 1971. As a consequence turnover on the Rio de Janeiro Stock Exchange increased from the equivalent of $390 million in 1969 to $641 million in 1970, reaching a peak of $2,604 million in 1971.

The BV Index of the Rio de Janeiro Stock Exchange increased from a level of 1,800 to more than 5,200 in the first five and a half months of 1971. This increase was followed by a decline which took the Index below the 1,500 level by March 1973. Subsequently, it oscillated in a range between 1,800 and 2,400. An upward trend has been experienced in 1975, being a reflection of improved economic prospects, the oil discoveries announced since November 1974 and the issue by the Central Bank of the Regulations allowing for the entry of foreign portfolio investment. On 30th June, 1975, the Index stood at 3,665.

At the peak of the market the average price earnings ratio for the 200 most frequently traded companies was 22.8. As a result of the market decline and the overall improvement in earnings the average historic price earnings ratio on 30th June, 1975 was 5.0.

Energy

At present 60 per cent. of Brazil's energy is produced domestically and 40 per cent. imported. Oil and gas represents 48 per cent. of consumption of energy (of which approximately 20 per cent. is produced domestically), coal 3 per cent., electric power 24 per cent. (of which 90 per cent. is hydro-generated) and charcoal and vegetable residuals 25 per cent. It is expected that reliance on imported energy will be substantially reduced in the next few years through further expansion of hydro-electric power capacity and increased oil production from the new discoveries.

Prospects for 1975

In line with other western countries Brazil's economy was affected in 1974 by higher world commodity prices. Although exports increased by 28.5 per cent. to $8 billion, imports reached $12.6 billion. Thus from a balance of trade traditionally in equilibrium Brazil moved to a trade deficit of $4.5 billion of which the increase in oil prices accounted for $2 billion. After taking into account the deficit in services, the current account deficit in 1974 amounted to $6.9 billion. This deficit was financed by a net inflow of $5 billion in loans, $0.9 billion in direct investments and the balance of $1 billion from foreign reserves thus reducing the reserves to $5.2 billion. On 31st December, 1974 net foreign indebtedness was $12 billion which amounts to 1.5 times the level of 1974 exports. The repayments schedule of current foreign indebtedness has been structured so that in no single year the repayments should amount to more than 12 per cent. of the total indebtedness.

For the first five months of 1975 the trade deficit amounted to $1,551 million, which compares with $2,165 million for the first five months of 1974 and a total deficit of $4.5 billion for 1974. It has been estimated that, with the imposition of import restrictions and the improvement in export values, the trade deficit for 1975 should be substantially lower than that for 1974.

The Government has high hopes of achieving its principal economic objectives in 1975. These are the maintenance of a high growth rate, a gradual deceleration in the rate of inflation and an improvement in the external position. A continuing high volume of public and private investment and favourable conditions for most crops should bring about substantial rises in industrial and agricultural production. These in turn will help to ensure a satisfactory increase in the Gross Domestic Product. A determined effort is being made to reduce the rate of inflation, through the judicious application of the monetary, budget and price controls. A smaller balance of payments deficit should be achieved, principally through a reduction in the trade deficit; a strong export performance is expected, partly through increased foreign exchange earnings from coffee, maize, mineral ores and possibly sugar and soya; no significant rise in imports is expected, as a result of the stringent curbs imposed in November 1974 in the form of increased duties on many products and restrictions on purchases by government departments, public sector organisations and mixed-capital companies. It will be at least 1977 before the considerable oil-import figure is likely to be in part offset by the production of oil from the new Garoupa offshore field. Finally, it has become clear that the Government is successfully adapting its policies to secure continuing improvement under the less favourable conditions now prevailing in the wake of the boom of 1968-73. This should serve to ensure the maintenance of a climate of confidence essential for economic progress.

Sources:
Banco Central do Brasil
Government's Second National Development Plan 1975-1979
Bank of London and South America Limited—Reviews
Fundação Getulio Vargas
Industrial Year Book 1975 (*Banas*).

Auditors' Report

The following is a copy of a Report addressed to the Board of the Company by the Auditors to the Company:—

Rio de Janeiro, July 7, 1975.

To the Board of Directors,
Brazilian Investments S.A. Sociedade de Investimento Decreto-Lei No. 1401,
Avenida Rio Branco 138, Rio de Janeiro.

Dear Sirs,

We report that Brazilian Investments S.A. Sociedade de Investimento Decreto-Lei No. 1401 was incorporated in Brazil on June 5, 1975 as a limited liability company and on that date it issued 200,000 shares of Cr $1 each for cash at Cr $10 per share. The Company received permission to operate as an investment company on June 16, 1975.

No accounts have been prepared for submission to members and no dividends have been declared or paid.

Yours faithfully,
Price Waterhouse Peat & Co.

Description of the IDRs

IDRs will be issued pursuant to an agreement dated 11th July, 1975 ("the Deposit Agreement"—contract (iv) below) between the Company and the Depositary to which the holders from time to time of the IDRs are deemed to be parties. IDRs will represent shares of the Company deposited with the Depositary under the Deposit Agreement to which, together with any other property represented thereby, an IDR holder will have a specific claim ("Deposited Securities").

IDRs will be issued in denominations of 100 Depositary Shares (each representing such number of shares of the Company as may be acquired by subscription or purchase at a price equal to their attributable net asset value with the amount of Cr $ which may be purchased with $100) in bearer form with talon and dividend coupons attached and transferable by delivery.

Copies of the Deposit Agreement are available for inspection at the offices of the Depositary. The following includes a summary of certain of the provisions of the Deposit Agreement and is qualified in its entirety by reference thereto.

Issue of the IDRs and Withdrawal of Deposited Securities

Upon the deposit with the Depositary of Deposited Securities and subject to the terms of the Deposit Agreement, the Depositary will execute and deliver IDRs at its office in Brussels to the person specified by the depositor for the number of Deposited Securities so deposited. The shares the subject of this placing will be deposited with the Depositary pursuant to the Deposit Agreement in exchange for IDRs to be delivered to James Capel & Co. for transmission to the investors entitled.

Upon surrender to the Depositary of IDRs, together with talon and all dividend coupons not previously designated for surrender attached, for the purpose of withdrawing the Deposited Securities and upon payment of the charges set out below and of any transfer charges and applicable governmental taxes, the surrendering IDR holder will be entitled to delivery at the office of the Depositary in Brussels to him or upon his order of certificates in respect of the Deposited Securities. The forwarding of certificates elsewhere is at the risk and expense of the IDR holder.

Dividends and Other Distributions

The Depositary will make any cash dividend or other cash distribution received from the Company available for distribution to the holders of IDRs upon surrender to it of such dividend coupon as it shall designate. Dividends are payable less deductions for Brazilian taxes on the basis set forth under "Taxation" above. Payments of dividends or other distributions will be made in Dollars converted from the Cruzeiro amount and (subject to deposit of dividend coupons) will be made at the offices of the Depositary in Brussels, London or New York or the office of any Paying Agent appointed for the purpose by the Depositary.

Whenever the Depositary receives a distribution other than cash in respect of the Deposited Securities, the Depositary will, subject to applicable laws and regulations, make the securities or property received by it available for distribution to the holders of IDRs entitled thereto in any manner which the Depositary deems equitable and practicable. If, however, in the opinion of the Depositary, such a distribution cannot be made proportionately among the holders of the IDRs or if for any other reason such a distribution is not feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including the sale of such securities or property or any part thereof and make the net proceeds therefrom available for distribution as in the case of a distribution received in cash.

If any distribution made with respect to Deposited Securities and received by the Depositary remains unclaimed by the holders of IDRs at the end of 30 years from the date of such distribution, all rights of the holders to such distribution will be extinguished.

Voting the Deposited Securities

Holders of IDRs will be entitled to instruct the Depositary, in accordance with the procedure (which may require the deposit of their IDRs or surrender of a dividend coupon appertaining thereto) set out in the Deposit Agreement, as to the exercise of voting rights, if any, pertaining to the Deposited Securities. The Depositary will endeavour, insofar as practicable and subject to any applicable provisions of law or of the Articles of Incorporation of the Company, to vote the Deposited Securities in accordance with such instructions. In the absence of such instructions, the Depositary may exercise such voting rights as it thinks fit in the interests of the holders of the IDRs without any responsibility or liability with respect to such action, other than in cases where the Depositary has knowledge of any contest to the action to be taken at the meeting or involving a merger or any other matter which may affect substantially the rights or privileges of applicable Deposited Securities.

Limitation of Liability under the Deposit Agreement

Neither the Depositary nor the Company will incur any liability to any holder of an IDR if, by reason of any provision of any present or future law or regulation of any country or of any other governmental authority or any Act of God or war or other circumstances beyond its control, the Depositary or the Company is prevented from performing any act otherwise required by the terms of the Deposit Agreement. Neither the Depositary nor the Company will assume any obligation or be subject to any liability under the Deposit Agreement to holders of IDRs except that each of them will agree to use its best judgment and good faith in the performance of such duties as are specifically set forth in the Deposit Agreement.

Neither the Depositary nor the Company shall be liable for any action or failure to act by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting securities for deposit, any holder of IDRs or any other person believed by it in good faith to be competent to give such advice or information or for any translation of any notice, report or other document made by a translator believed by it to be competent. The Depositary and the Company may each rely and shall be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Depositary shall not be responsible for any failure to carry out any instruction to vote any of the Deposited Securities, or for the manner or effect of any such vote, as long as any such action or failure to act is in good faith.

Resignation and Removal of Depositary

The Depositary may at any time resign as Depositary or be removed as Depositary by the Company, such resignation or removal to take effect upon the appointment within 30 days thereafter of a successor depositary and its acceptance of such appointment in terms of the Deposit Agreement.

Amendment and Termination of the Deposit Agreement

All and any provisions of the Deposit Agreement may from time to time be amended by agreement between the Company and the Depositary in any respect which they deem necessary or desirable, provided that any amendment which increases or imposes fees or charges payable by holders of IDRs or which prejudices any substantial right of such holders shall not become effective as to outstanding IDRs until the expiry of three months after notice of such amendment shall have been given to holders of outstanding IDRs. During this period of three months each holder of an IDR shall be entitled to obtain delivery of a certificate in respect of the Deposited Securities represented by his IDR upon surrender thereof, free of charge. Each holder who continues to hold his IDR after such period shall be deemed to have agreed to such amendment.

At any time after 30th June, 1985 or at any time when there are less than 1,000,000 shares of the Company represented by outstanding IDRs, the Depositary shall, at the direction of the Company, terminate the Deposit Agreement on 30 days published notice. Likewise, the Depositary may terminate the Deposit Agreement, if at any time 30 days shall have expired after the Depositary shall have delivered to the Company notice of resignation and a successor depositary shall not have been duly appointed. If any IDRs remain outstanding after the date of termination, the Depositary shall thereafter discontinue the transfer of IDRs, suspend distribution of dividends and shall not perform any further acts under the Deposit Agreement except to continue to deliver Deposited Securities, together with dividends and other rights appertaining thereto, in exchange for IDRs surrendered to the Depositary. At any time after two years from the date of termination, the Depositary may sell any Deposited Securities still held by it and hold the proceeds, without liability for interest, for the *pro rata* benefit of holders of IDRs not then surrendered.

Charges of the Depositary

The Depositary is entitled to make the following charges:—

1. For the receipt of Deposited Securities and the issue of IDRs (including the issue of balancing IDRs following partial redemption)—$5.00 per IDR (which, in the case of the initial issue, will be met as mentioned under "Placing" below but will subsequently be payable by the party to whom the IDRs are issued).
2. For accepting a surrender of IDRs (including the surrender of IDRs on complete or partial redemption of Deposited Securities) and delivering Deposited Securities—$5.00 per IDR (payable by the party surrendering the IDRs).
3. For the payment of dividends—101 cents per dividend coupon per IDR (on the basis of one dividend in each calendar year).

Financial Information and Notices

Annual and half-yearly audited reports and accounts will be available to holders of IDRs at the offices of the Depositary in Brussels, London and New York.

All notices to holders of IDRs will be published in the Financial Times of London. Publication will be made in other appropriate newspapers at the discretion of the Depositary or if publication in the above newspaper should not be practicable.

Placing

James Capel & Co. has agreed with the Company and Bozano to use its best endeavours to procure subscriptions for shares of the Company, to be represented by IDRs in denominations of 100 depositary shares. Depositary shares are being placed at $106 per depositary share, from which a management fee of 1½ per cent., a sales commission of $3.50 (of which up to $2 will be reallowed to approved dealers) and 91 cents in respect of estimated expenses of the issue (including legal, accounting, printing and advertising costs, fees payable to the Depositary on the initial issue of IDRs, Stock Exchange fees and preliminary expenses) will be deducted. The balance of $100 will be applied in subscribing or acquiring shares of the Company, following conversion into Cruzeiros and registration with the Central Bank. In the event that the actual expenses of the issue exceed the estimated amount of 91 cents per depositary share, the excess will be borne by James Capel & Co.

General Information

Constitution and Capital Structure—The Company was incorporated on 5th June, 1975 for an unlimited period as a limited liability company under the Brazilian company law, Decree-Law No. 2627 of 26th September, 1940, with an authorised share capital of Cr $50,000,000 divided into 50,000,000 shares of Cr $1 each, of which 200,000 were issued at Cr $10 per share on 5th June, 1975. On 16th June, 1975 the Company received permission from the Central Bank to operate as a Special Investment Company. The Company has no subsidiaries.

On 11th July, 1975 the Board of Directors of the Company resolved to offer up to 12,200,000 shares (being 12,000,000 new shares and 200,000 shares subscribed by the incorporators at Cr $10 per share and made available for this placing) on the terms of this Memorandum.

Without the prior approval of the Company in General Meeting: (i) no issue of shares of the Company will be made which would effectively alter the control of the Company or the nature of its business; (ii) no material issue of shares of the Company (other than to shareholders *pro rata* to their existing holdings) will be made within 12 months of this Memorandum; (iii) no issue of shares or other securities with an equity element will be made for cash, unless they are first offered to shareholders of the Company on a *pro rata* basis.

Under Brazilian law each company is required to appoint an independent Audit Council of a minimum of three members for the purpose of monitoring its accounts on a quarterly basis, with powers to convene a General Meeting of shareholders. Shareholders holding 20 per cent. of the issued share capital of the Company may appoint one member and one alternate member.

The Company has no outstanding mortgages, debentures, loan capital, bank overdrafts or similar indebtedness, hire purchase commitments, guarantees or material contingent liabilities.

Financial Year—The Company's financial year will end on 30th September. The first accounting period will end on 30th September, 1975. It is intended to issue audited annual and half-yearly reports and accounts.

Officers' Remuneration—The remuneration of the Directors, the Advisory Council and the Audit Council will be determined by the shareholders in General Meeting. Initially the Board of Directors as a whole will receive Cr $532.80 per month, being one minimum salary (as fixed by law in Brazil) and the members of the Advisory Council and the members of the Audit Council will respectively receive Cr $200 and Cr $50 per annum each. The Board of Advice will not receive any remuneration.

Directors' and Substantial Interests—No Director, or any of his family interests (as defined by the Regulations of The Stock Exchange in London), has or will have any interest in shares of the Company or IDRs.

Mr. S. C. de Menezes is Chief Executive and Mr. G. A. Langlands, Mr. J. G. Kellock and Mr. W. R. Blackhurst are Directors and Mr. F. P. de Lima Guerreiro is a Deputy Director of Bozano. All the foregoing are also shareholders of Bozano. None of the Directors has any service agreement with the Company.

So far as is known no person or company will have a beneficial interest in IDRs granting an entitlement of more than 10 per cent. of the issued share capital of the Company following the placing.

Preliminary Expenses—The preliminary expenses incurred on the formation of the Company are estimated at Cr $25,000 and will be paid by James Capel & Co. out of the proceeds of the placing.

United Kingdom Statutory Information—In the opinion of the Board the minimum amount which must be raised by the present placing in order to provide the sums required for the purposes specified in paragraph 4 of Part 1 of the Fourth Schedule to the Companies Act 1948 of Great Britain, is $10,600,000 made up as follows: (i) purchase price of property: nil; (ii) preliminary expenses and expenses of the placing (relating to such minimum amount): $600,000; (iii) repayment of money borrowed: nil; (iv) working capital: $10,000,000. No amounts in respect of the foregoing are to be provided otherwise than out of the proceeds of the present placing. This Memorandum shall have the effect where an application is made in pursuance thereof of rendering all persons concerned bound by provisions corresponding to the provisions (other than the penal provisions) of Sections 50 and 51 of the Companies Act 1948 of Great Britain, so far as applicable. The Company has not established a place of business in Great Britain. The documents attached to the copy of this Memorandum delivered to the Registrar of Companies in England for registration are the written consent and copies of the contracts referred to below. The time for the opening of the subscription lists is 9 a.m. on 23rd July, 1975.

Miscellaneous—

(i) Save as disclosed herein, since the incorporation of the Company: (a) no capital of the Company has been issued nor is any such capital proposed to be issued either for cash or credited as fully paid otherwise than for cash; (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company; (c) no Director has had a material interest in any contract of significance (as defined by the Regulations of The Stock Exchange in London) entered into by the Company; and (d) no long-term Service Agreements are in existence whereby the Company would be inhibited from making such changes as it might desire in the directorate or senior management of the Company.

(ii) No capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

(iii) The Company is not engaged in any litigation or arbitration and no litigation or claim is known to the Directors to be pending or threatened against the Company.

(iv) A certificate of exemption has been granted by the Council of The Stock Exchange in London under section 418 of the Companies Act, 1948.

Consent—Price Waterhouse Peat & Co. have given and have not withdrawn their written consent to the issue of this Memorandum with a copy of their Report included herein in the form and context in which it is included.

Contracts—The following contracts have been entered into, all of which are conditional upon the shares of the Company and the IDRs being listed on The Stock Exchange in London not later than 15th August, 1975.

(i) Management Agreement dated 5th June, 1975 between the Company (1) and Bozano (2) appointing Bozano as investment manager and administrative agent to the Company;
(ii) Custodian Agreement dated 3rd July, 1975 between the Company (1) and the Custodian (2) appointing the Custodian as custodian of the Company's securities;
(iii) Placing Agreement dated 11th July, 1975 between Bozano (1) James Capel & Co. (2) and the Company (3) whereby James Capel & Co. has agreed to use its best endeavours to procure subscribers for shares of the Company;
(iv) Deposit Agreement dated 11th July, 1975 between the Company (1) and the Depositary (2) regulating the IDRs;
(v) Subscription Agency Agreement dated 18th June, 1975 between Bozano (1) and James Capel & Co. (2) whereby the latter are appointed as subscription agents in accordance with the Regulations.

Articles of Incorporation and Brazilian Company Law—The Articles of Incorporation of the Company, which form its constitution, and Brazilian company law, include provisions to the following effect:—

(a) All the shares of the Company form one class and are entitled upon issue to participate equally in profits and dividends of the Company and in its assets in liquidation. Each share is entitled to one vote subject to the limitations imposed by law. A shareholder may act at any meeting of shareholders by appointing another shareholder as his proxy. Except as otherwise required by Brazilian law, resolutions at a meeting of shareholders duly convened will be passed by a simple majority of those present and voting;

(b) The Board of Directors, which will be vested with all powers necessary for the performance of the Company's objectives, will consist of between two and six members and be elected by the shareholders in General Meeting for periods of three years although any Director may be removed from office by resolution of shareholders at any time. In the absence of any Director, the Board will designate a substitute from among its members who will carry out the duties of the Director for whom he is substituted without prejudice to his own duties. The Board may also fill a casual vacancy from among its members or from among the shareholders, although any substitute so appointed will hold office only until the next General Meeting of shareholders when the appointment must be reaffirmed. No Director may vote on any contract or arrangement in which he has an interest conflicting with that of the Company;

(c) The Board of Directors will receive advice from the Advisory Council which will consist of between five and twelve members and from the Audit Council which will normally consist of three members. Both the Advisory Council and the Audit Council will be elected by shareholders in General Meeting, in the case of the Advisory Council for periods of 3 years and in the case of the Audit Council annually. All powers not expressly reserved by law or by the Articles of Incorporation to the General Meeting of shareholders, Advisory Council or Audit Council fall within the competence of the Board of Directors.

The Articles of Incorporation do not contain any age limit for retirement of Directors or any shareholding qualifications for Directors but require one share to be pledged to the Company on behalf of each Director as a guarantee of the proper performance of his respective duties to the Company. Under the Regulations the Company is not permitted to borrow. The Articles of Incorporation may be altered by a simple majority of shareholders present and voting in person or by proxy at a General Meeting of the Company.

Dealings—IDRs are expected to be available for delivery at James Capel & Co., 100 Old Broad Street, London EC2N 1BQ on and after 11th August, 1975. It is anticipated that dealings will commence on The Stock Exchange in London on 28th July, 1975 and, pending availability of the IDRs, will be for deferred settlement on 12th August, 1975.

Documents for Inspection—Copies of this Memorandum, the Act of Constitution and Articles of Incorporation of the Company, the Report and Accounts of Bozano for the year ended 31st December, 1974, the above-mentioned Auditors' Report, consent and contracts, the Brazilian Company Law (D.L. No. 2627), and the Regulations (together with, in the case of those documents in Portuguese, a certified English translation thereof) will be available for inspection during business hours until 15th August, 1975 at the offices of Norton, Rose, Botterell & Roche, Kempson House, Camomile Street, London EC3A 7AN.

United States Private Placement—Up to 30,000 depositary shares will be placed through a United States registered broker-dealer in the United States of America or to nationals or residents thereof in circumstances which will not require registration of the shares or IDRs under the United States Securities Act of 1933.

Dated 11th July, 1975.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
1M	1S	Exch 6½pc 1976‡‡	98⅛	23.1	6.62	9.63
15F	15A	Treasury 6½pc 1976‡‡	97⅛xd	9.7	6.69	9.46
1M	1S	Victory 4pc 1976‡‡	99	23.1	4.08	—
14J	14D	Treasury 10½pc 1976‡‡	100⅛	8.5	10.49	10.35
10M	10S	Treasury 6¼pc 1977‡‡	94⅛	3.2	6.64	10.15
15M	15S	Electric 3pc 74-77	93¾	6.2	3.20	7.05
26M	26S	Treasury 11½pc '77‡‡	101½	17.2	11.37	10.78
15M	15N	Treasury 3pc '77‡‡	87[illegible]	8.4	3.41	8.84
20J	20D	Transport 4pc '72-77	89¾	14.5	4.45	8.79
15M	15S	Treasury 9pc 1978‡‡	95[illegible]	6.2	9.47	11.16
14J	14J	Treasury 10½pc '78‡‡	98⅜	9.6	10.67	11.14
26M	26S	Exchequer 5pc '76-78‡‡	85⅞	17.2	5.82	10.29
9M	9S	Treasury 11½pc '79‡‡	100⅛	31.1	11.48	11.42
17M	[illegible]S	Treasury 3pc '79‡‡	78[illegible]	10.2	3.82	9.37
26M	26S	Electric 4¼pc 74-79	80⅜	17.2	5.29	10.11
1M	1N	Treasury 10½pc '79‡‡	97⅝	25.3	10.75	11.18
15M	15N	Electric 3½pc '76-79	79¼	8.4	4.42	9.45
3M	3S	Treasury 9pc 1980‡‡	92⅛	27.1	9.77	11.17
14M	14N	Treasury 9½pc '80‡‡e	94[illegible]	—	10.00	10.87
15J	15D	Treasury 3½pc '77-80	77	9.5	4.54	9.46
15J	15D	Funding 5¼pc '78-80‡‡	81¼	9.5	6.46	10.19
		Five to Fifteen Years				
15F	15A	Treasury 3½pc '79-81	74½	9.7	4.68	9.43
15J	15J	Do 8¼pc '80-82‡‡	86⅝	9.6	9.83	11.50
17M	17S	Treasury 12pc 1983‡‡	103½	10.2	12.06	12.10
15J	15J	Funding 5½pc '82-84‡‡	74½xd	9.6	7.39	10.05
10J	10J	Treasury 8½pc '84-86‡‡	82	3.6	10.40	11.46
1M	1N	Funding 6½pc '85-87‡‡	71½	25.3	9.28	11.11
26J	26J	Treasury 7¾pc '85-88‡‡	72¾	19.6	10.64	11.99
1J	1J	Transport 3pc '78-88	46⅞	27.5	6.42	10.69
15A	15O	Treasury 5pc '86-89	56	10.3	9.15	11.56
		Over Fifteen Years				
15J	15D	Treasury 8¼pc '87-90‡‡	72	9.5	11.59	12.56
5A	5O	Funding 5¾pc '87-91‡‡	56¼	3.3	10.44	12.25
14J	14J	Treasury 12½pc '93‡‡	91⅞	9.6	13.64	13.76
15M	15S	Funding 6pc 1993‡‡	54¾	6.2	11.39	12.74
17M	17N	Treasury 9pc '94‡‡	70	10.4	13.16	13.67
1M	1N	Gas 3pc '90-95	34	25.3	9.00	11.74
15M	15N	Treasury 12¾pc '95‡‡	94	8.4	13.91	13.97
15M	15S	Treasury 9pc '92-96‡‡	70½	6.2	13.36	13.80
1A	1O	Redp. 3pc 1986-96	33⅛	24.2	9.32	11.72
—		Treasury 13¼pc '97‡‡	94[illegible]	—	14.03	14.08
1M	1S	Treasury 8¾pc 1997‡‡	68⅛	23.1	13.52	13.93
1M	1N	Treasury 6¾pc '95-98‡‡	53⅛	25.3	13.01	13.65
15J	15J	Treasury 9½pc 1999‡‡	69½	9.6	13.70	13.96
14J	14J	Funding 3½pc '99-04	30⅛	9.6	11.64	12.52
5A	5O	Treasury 8pc '02-06‡‡	60½	3.3	13.76	13.85
10M	10S	Treasury 5½pc '08-12‡‡	42⅝	3.2	13.54	13.66
26J	26J	Treasury 7¾pc '12-15‡‡	56xd	19.6	13.81	13.86
		Undated				
1F	1A	Consols 4pc	28¼xd	25.6	14.10	—
1J	1D	War Loan 3½pc‡‡	26	25.4	13.72	—
1A	1O	Conv. 3½pc '61 Aft.	27⅛	26.2	13.43	—
5A	5O	Treasury 3pc '66 Aft.	22	3.3	14.20	—
5J.A.J.O.		Consols 2½pc	18¼	2.6	13.78	—
1A	1O	Treasury 2½pc	18½	24.2	14.09	—

**INTERNATIONAL BANK

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15F	15A	5pc Stock '77-82	66¼xd	18.7	7.53	12.15
31J	31J	8pc Stock 1976	97¼	27.7	8.22	10.86

**CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1F	1A	Birm'ham 9¾pc '79-81	86½xd	2.2	10.68	12.38
1F	1A	Bristol 6½pc '75-77	92½xd	16.7	7.03	11.95
30J	31D	Essex 5¼pc '75-77	89¼	2.6	6.16	11.78
11F	11A	G.L.C. 6¾pc 1976	95⅞xd	11.7	7.04	10.94
15A	15F	Do 7¼pc 1977	91¼	15.1	7.94	12.13

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 58% (based on $2.1780 per £)

CANADIANS

S.E. List Premium 58% (based on $2.2422 per £)
Conversion factor 0.6313 (0.6402)

††BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Cont.

FOOD, GROCERIES, ETC.

HOTELS & CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Botswana BST R2	90	—	—	—	—
June Dec.	Messina R0.50	330	2.6	‡Q60c	2.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mine 17½p	8½	19.5	m0.5	—	1.6
—	Charterhall 5p	63	3'67	—	—	—
—	Colby Mines $1	75#	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	680	30.6	‡Q130c	2.2	‡
— —	Lauraxis	43½	—	—	—	—
—	NRD $1	14	—	—	—	—
July	Northgate C$1	285	30.9	Q65c	1.0	9.9
Jan. June	R T Z	179	21.4	19.9	4.4	4.3
—	Sabina Inds. C$1	80	—	—	—	—
—	Stanford Mines [illegible]	77	—	—	—	—
—	Tara Explo. $1	£10¼	—	—	—	—
— —	Yukon Cons C$1	67	11'65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ♦ Figures or report awaited.
- †† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits.
- ? Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment.
A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. M Figures based on prospectus or other official estimates for 1974-75. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 21

FINANCIAL TIMES
Monday July 21 1975

Cost cuts plan starts to-day at BSC plant

BY RHYS DAVID

A SERIES of measures aimed at cutting costs, including a reduction in working hours, is to be introduced from to-day at the British Steel Corporation's Shelton Iron and Steel Works at Stoke-on-Trent.

The measures, part of the BSC's overall plan to reduce its current £4m. a week operating loss, could mean a reduction in wages of as much as £25 a week for some workers at the Shelton plant, which is thought to have been losing money at the rate of £500,000 a month.

The progress of this and other similar cost-cutting measures being introduced on a plant-by-plant basis throughout the corporation will be reviewed at the regular quarterly meeting between the BSC and steel unions due to be held next week.

Resistance

The cutbacks have run into some resistance at some plants, notably Port Talbot, where the workforce claimed the management had gone beyond the agreement with the unions in introducing reduced shifts. At next week's meeting, the BSC is likely to warn that unless the cuts can be achieved by agreement, it may be necessary to revert to Sir Monty Finniston's earlier proposal for compulsory redundancy.

This week will see publication of the BSC's annual report and accounts for the year 1974-75, in which the corporation is expected to show a substantial increase in profit for the year over the 1973-74 total of £56m.

For much of the period covered by the report, demand for steel was continuing strongly. With a deep recession in steel setting in this year, production last month was 28.5 per cent. below the figure for June last year. The BSC is not expecting any big upturn to take place much before the end of its current financial year next March.

U.K. seeks 5% 'green pound devaluation'

BY ROBIN REEVES

BRUSSELS, July 20.

MR. FRED PEART, the U.K. Minister of Agriculture, will ask blessing for a 5 per cent. "devaluation of the green pound" at the EEC Council of Agricultural Ministers meeting which opens to-morrow, according to usually reliable sources here.

This would have the practical effect of raising official agricultural prices to British (and probably Irish) farmers and cutting back EEC subsidies on food imports into the U.K., which at present run at well over £15m. a month. The green pound is the exchange rate between sterling and the EEC's notional currency, the unit of account, for agricultural purposes.

Cushioning

The move would be bound to hit the cost of the British housewife's shopping basket. But the impact could vary from item to item an dmay be cushioned, in part, by increased consumer food subsidies. In any case, the overall effect on the cost of living should be no more than 1 per cent.

In asking for the green pound devaluation, Mr. Peart has evidently pursuaded his Cabinet colleagues that it would be short-sighted to expect the British farming industry to continue living with guaranteed prices which, as a result of the erosion of sterling, are in real terms now nearly 20 per cent. below the levels enjoyed by farmers on the Continent.

Given this real price differential, 5 per cent. is a far less than farmers' leaders and almost certainly Mr. Peart himself were pressing for. Nevertheless, it is a small step in the direction of closing the gap and providing the resources promised for expansion as set out in the Government's recent agricultural White Paper.

Mr. Peart's request should receive a smooth passage from the Commission and other EEC Agricultural Ministers. The country most affected, Ireland has recently been less enthusiastic than is traditional for a further green pound devaluation, again for her own anti-inflation reasons. But Mr. Mark Clinton, the Irish Farm Minister, is expected to go along with the move, which will reduce the monetary charges on Ireland's farm exports to the Continent and, asuming also a 5 per cent. change, maintain the 3 per cent. export subsidy on agricultural shipments to the U.K.

The system giving rise to green currencies was introduced originally to offset the effects of currency instability on the EEC's common farm prices. These are fixed annually in Brussels and then translated into national currencies at a fixed exchange rate, which in sterling's case is nearly 20 per cent. out of line with reality. To prevent the resulting price differences distorting intra-community trade and to maintain the semblance of a common market in farm products, farm imports and exports are subject to taxes and subsidies to offset the exchange rate differences.

For Britain, as a major net food importer with a devaluing currency, the system has meant her enjoying mainly import subsidies from the Common Farm Fund.

The green pound will be far from the only item discussed by the Council of Ministers. A great deal of time is expected to be taken up with negotiations on amending the Community's common wine regime with the aim of draining its "wine lake."

Mr. Pierre Lardinois, the Commissioner responsible for agriculture, will press the Council to give its blessing to the principle of "co-responsibility" of milk producers for dairy surpluses, in exchange for a battery of measures for dealing with the immediate problem of the EEC's mounting skim milk powder stocks. "Co-responsibility" means the producers paying for part of the cost of disposing of surpluses, and Mr. Lardinois wants arrangements to effect this written into the CAP next year.

Measures for dealing with the immediate problem include skim's use as food aid and for animal feed, plus reintroduction of social butter and EEC aid for extending school milk schemes in the member-States. The projected cost is put at around 30m. units of account (about £15m.). Without the measures, the Commission fears the skimmed milk powder "mountain" could reach 900,000 tons by the end of the year.

Treasury forecasts twice a year

BY MICHAEL BLANDEN

THE TREASURY has agreed to publish its economic forecasts twice a year instead of once and in greater detail to allow them to be more closely scrutined by analysts.

These concessions are being made in response to pressure from back-bench MPs, particularly Mr. Jeremy Bray (Labour, Motherwell), and it is expected that they will be introduced in the form of amendments to the Industry Bill. The result is expected to be more open discussion of Treasury forecasts in general as well as in the context of the Industry Bill.

Of the major points conceded, one is directly relevant to the provisions of the Industry Bill. It is understood that it has been agreed that companies which are subject to planning agreements under the new legislation may be given help in preparing their own forecasts.

Projections

Initially it was hoped the Treasury would give forecasts for the companies concerned, but the concession has now been made on the basis of the Treasury's model for the whole economy being used to prepare sub-forecasts for individual companies.

The Treasury, which at present publishes part of its forecasts for gross national product and its main components once a year, is also expected in future to produce projections every six months, although there has been some resistance to publication of detailed figures, and it appears likely that forecasts will be in fairly general terms.

Moves are also being made to assist outsiders in assessing and comparing the outcome of official forecasts. Changes are believed to include the provision by the Treasury of its own economic model to outsiders, possibly on a fee-paying basis. This will enable other users to feed their own assumptions into the system and produce their own results with confidence that the outcome is based on the same set of premises as the official forecast.

Official forecasts too, will it is believed, be subject to more detailed analysis. The Treasury is expected to be required to publish its own retrospective analysis of its forecasting errors, enabling outsiders to judge the accuracy of previous predictions. At the same time, publication is likely of estimated margins of error in forecasts, although the official view in this area will probably be cautious.

THE LEX COLUMN

Institutions switch out of cash

One of the main bullish influences on both the equity and gilt-edged markets so far this year has been the belief that a large amount of institutional money has still been available for investment. This view has been supported by the record level of liquidity at the beginning of the year and the continuing large cash inflow to institutions, but the capacity of the reservoir has been tested over the last few weeks by the heavy sales of gilts—approaching £1bn. probably even at the net level—and the steady stream of rights issues.

Any estimate of the current level of institutional liquidity is hindered by the absence of up-to-date statistics. The starting point is insurance company and pension fund holdings of short-term assets at the beginning of the year—roughly £3bn., double the total of 12 months earlier. The cash inflow into these institutions last year was £2.9bn., with a further £200m. coming from reinvested income.

In the first quarter of 1975, the cash inflow from the personal sector to life and pension funds rose from £790m. to £920m. And though the first quarter traditionally has the biggest inflow of any in the year, the money available to pension funds could rise by as much as a third as a result of the continuing high rate of wage inflation as well as the topping-up exercises undertaken by many companies. Overall, the total cash flow of these long-term institutions could rise to between £3.5bn to £4bn.

Projecting the institutions' outflow, however, is even more difficult. Estimates of the net overall investment in gilts so far this calendar year range from £2.5bn. to £3bn., depending partly on the extent of purchases of short-dated stock by the Government broker. Although figures released on Friday suggest that gilt-edged investment by the personal sector ran to £510m. in the first quarter, this figure is likely to have fallen sharply since then. Total purchases of gilts outside the savings institutions, including those by banks, are unlikely to have been as much as £1bn., leaving £2bn. net of insurance and pension fund investment. This figure will presumably, have to be doubled over the year to meet the Government's borrowing needs.

As for equities, institutions have probably subscribed the bulk of the £840m. raised so far by rights issues, and in addition they have been buying shares from the personal sector, where disinvestment totalled £442m. even in the first quarter. So net institutional investment in equities could be possibly around £1.3bn. to £1.6bn. in 1975, while property purchases are unlikely to be below last year's total of £650m.

These rule-of-thumb calculations point to a possible total investment of over £6bn., compared with a total projected cash flow and starting liquidity of about £7bn. This would reduce end year liquidity to under £1bn., which would be historically low. The long-term institutions may be reluctant to see their liquidity fall to such a level. This might mean that in funding its requirements the Bank of England may have to look more to other sources within the financial system, which in turn might result in a greater emphasis on the shorter rather than the longer end of the market. And there is the consequent danger of putting pressure on the money supply. The obvious implication for equities is that the rights issue path could become stickier later in the year.

Big Four season

Nobody has any illusions about the direction of the trend to be revealed in the forthcoming clearing bank results season, which starts with NatWest to-morrow. Although special provisions are unlikely to be the drag they were last year—not compared with the second half, anyway—most of the other factors in the January-June period have been decidedly adverse.

Advances and deposits have stayed sluggish, increasing very little from second half 1974 levels, average base rates have been approaching 2 points lower, and staff costs have continued to rise rapidly, which may produce further problems over pension contributions. Against this, restoration of interest on special deposits and the relative cut in the branch deposit rate, will provide inadequate cushioning.

A batch of brokers' estimates embraces some large variations, but the average of the forecasts suggests that the Big Four's profits will be down overall by 25 per cent. or more pre-tax compared with January-June 1974, though only slightly worse than in July-December. But then the analysts find it hard to agree on what last year's figures were and the bases for the forecasts differ widely.

Meanwhile the old rights issue speculation is inevitably revived with Lloyds the favourite to make a move this time round in line with the recent deterioration of its free capital ratio and its commitments in Grindlays. There are also some eyebrows raised at the late timing of Barclays' statement on Thursday week, which could have issue queue implications though in theory Barclays is the least likely to need new equity.

The central problem for the banks remains that of balance sheets and inflation. The pressure will not be serious in 1975 given the slack demand for private sector credit, and the banks may derive some encouragement from the arrival of an incomes policy, but nevertheless the prospect of a revival of loan demand in 1976 will be under close consideration.

An interesting analysis from Capel-Cure Myers poses the inflation accounting dilemma. The straight application of CCA accounting penalises the banks with a high free capital ratio for these suffer a larger deduction from net monetary items. Thus Bank of Ireland disclosed virtually nil CPP earnings.

According to estimates by Capel-Cure Myers, Barclays' 1974 CPP earnings were 78 per cent. below the historic cost figures, while Midland (with low free assets) would only have shown a corresponding 10 per cent. decline. But banks with low free capital ratios, and hence greater need for retentions, are precisely those with lower dividend potential. The brokers conclude that straight CPP figures may be misleading for individual share prices. But there is no doubt that a slowdown in inflation would raise the dividend paying power of all the clearers.

Gilt Indices

Memoranda are now available on the proposed new fixed interest indices discussed here last Tuesday. They can be obtained by personal callers at the F.T. reception desk, Bracken House, and the F.T. box (F 78) on the Stock Exchange floor; or by post from the Institute of Actuaries in London, the Faculty of Actuaries in Edinburgh, and Mr. R. H. Pain of Capel-Cure Myers.

Hopes of big U.K. stake in £600m. Iran rail project

BY DAVID BELL

THREE British companies are negotiating a major stake in a contract to electrify part of Iran's railway system which is likely to be worth at least £600-£700m. at current prices.

The companies—GEC, John Laing and Sir Alfred McAlpine—have been having talks in Iran for several months about the electrification of the 800-mile Tehran to Tabriz railway line. An Italian consortium, Impregilo, is also involved in the project as is Transmark, the British Rail consultancy company.

A £20m. contract for a survey of the route is likely to be signed soon, and until the detailed survey has been carried out, it is difficult for anyone to put a precise figure on the cost of the project. But it is understood that by the time it is completed—in some years time—the railway project will have cost around £1,000m.

Mr. Peter Shore, Industry Secretary, visited Iran earlier this year, and the railway project was mentioned at that time.

The British companies are reticent about the details of the scheme and negotiations still have some way to go, but if they are successful GEC, and BICC as its subcontractor, stand to receive somewhere between a third and a half of the total value of the contract with the civil engineering contractors dividing the rest between them.

GEC and Laing both concede that if they win this contract it will be their biggest single export order.

If all goes well, the contract will be placed in stages with a detailed design stage following the initial survey and a building contract after that. The civil engineering work is considerable as for long stretches the line will virtually have to be rebuilt. GEC would provide engines, transformers, rectifiers, telecommunications equipment, signalling and switchgear.

GEC, which recently won a £70m. railway contract in Taiwan, has been acting as "lead firm" in the negotiations.

Weather

U.K. TO-DAY

PRESSURE is low to the North-West of the British Isles and troughs of low pressure will move eastward over most districts. Western areas will be cloudy with rain, but most eastern and southern areas will be bright at first with rain later.

London, E. Anglia, Southern England, the Midlands, Central Northern England

Bright or sunny intervals, becoming cloudy with rain later. Wind westerly, light or moderate. Max. 20C (68F).

Channel Isles, S.W. England, S. Wales

Bright early, becoming cloudy with rain later. Wind S.W. Max. 20C (68F).

N.E. England, Borders, Edinburgh, Dundee and Aberdeen

Sunny intervals at first, becoming cloudy with rain. Wind westerly. Max. 19C (66F).

N. Wales, N.W. England, Lake District, Isle of Man, S.W. Scotland, Central Highlands

A few bright intervals at first, becoming cloudy with outbreaks of rain. Max 18C (64F).

N.E. Scotland, Orkney, Shetland

Bright intervals at first, becoming cloudy with outbreaks of rain. Wind S.W., moderate or fresh. Max. 15C (59F).

N.W. Scotland, N. Ireland

Cloudy with outbreaks of rain, bright intervals later. Wind S.W., fresh or strong. Max. 17C (63F).

Outlook: Changeable, with normal temperatures.

Lighting-up: London 21.36, Manchester 21.54, Glasgow 22.15, Belfast 22.15.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Alexandria.	S	31	88	Luxembg.	C	17	63
Amstrdm.	C	18	64	Madrid	S	32	90
Athens	S	34	93	Manchstr.	C	17	63
Bahrain	S	39	102	Melbourne	C	10	50
Barcelona	S	27	81	Milan	F	28	82
Beirut	S	30	86	Montreal	C	27	81
Belfast	F	21	70	Moscow	S	26	79
Belgrade	F	25	77	Munich	F	20	68
Berlin	R	15	59	Newcastle	C	17	63
Birmghm.	C	17	63	New York	C	26	79
Bristol	C	18	64	Oslo	S	25	77
Brussels	C	20	68	Paris	F	23	73
Budapest	S	22	72	Perth	C	19	66
B. Aires	S	11	52	Prague	F	21	70
Cairo	S	36	97	Reykjavik	C	11	52
Cardiff	S	20	68	Rio de J'o	C	19	66
Cologne	R	17	63	Rome	S	27	81
Copnhagn.	F	21	70	Singapore	S	34	94
Dublin	F	19	66	Stockholm	S	27	81
Edinb'gh	C	18	64	Strasb'g	C	20	68
Frankfurt	C	17	63	Sydney	F	17	63
Geneva	S	22	72	Tehran	S	34	93
Glasgow	F	17	63	Tel Aviv	S	30	86
Helsinki	F	22	72	Tokyo	C	28	82
H. Kong	C	26	79	Toronto	C	23	73
Jo'burg	S	20	68	Vienna	C	22	72
Lisbon	S	28	82	Warsaw	R	18	64
London	R	18	64	Zurich	F	21	70

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	26	79	Jersey	C	20	68
Algiers	S	29	84	Las Plms.	S	22	72
Biarritz	S	23	73	Locarno	S	26	79
Blackpool	C	13	55	Majorca	S	29	84
Bordeaux	S	27	81	Malaga	S	26	79
Boulogne	C	17	63	Malta	S	28	82
Casablnca.	S	25	77	Nairobi	S	21	70
Cape Town	R	16	61	Naples	F	28	82
Corfu	S	33	91	Nice	S	27	81
Dubrovnik	S	30	86	Nicosia	S	30	86
Faro	S	26	79	Oporto	S	23	73
Florence	S	30	86	Rhodes	F	30	86
Funchal	S	23	73	Salzburg	C	17	63
Gibraltar	S	26	79	Tangier	S	26	79
Guernsey	C	16	61	Tenerife	S	33	91
Innsbruck	C	21	70	Tunis	S	31	88
Inverness	F	15	59	Valencia	S	30	86
I. of Man	F	17	63	Venice	S	27	81
Istanbul	S	31	88				

S—Sunny. F—Fair. C—Cloudy. R—Rain.

Europe cool to new Boeing

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING of the U.S. is seeking additional international partners for its proposed 7X7 family of jet transports. The first of these will be an ultra-quiet, medium-range three-engined 200-seater, with high fuel efficiency.

The company has already arranged a 20 per cent. participation in the $1bn. 7X7 venture with Aeritalia of Italy and is also holding talks with Japan, but would like to have a bigger European participation if possible, both to spread the burden of costs and widen prospective sales.

Boeing sees a market for several hundred 7X7s over the next 10 years, of which about 23 per cent. would come from European airlines. It recognises that sales prospects could be improved if European aircraft companies were involved in the development and production programme.

Mr. E. H. Boullioun, president of the Boeing Commercial Airplane Company, believes that European companies could participate in up to 30 per cent. of the 7X7 programme, building sub-assemblies for shipment to Seattle, Boeing's home base, for final assembly.

Although the company has discussed these possibilities with aircraft makers in Europe, including both the British Aircraft Corporation and Hawker Siddeley Aviation, as well as companies on the Continent, the response so far has not been as enthusiastic as Boeing had hoped.

The European companies, in Boeing's view, appear to be afraid of becoming sub-contractors to the American giants instead of manufacturers and designers in their own right and appear to be more interested in trying to develop a possible rival to the 7X7. "But they are already two to three years behind us," says Mr. Boullioun.

Boeing has spent over $40m. on the 7X7 programme and is poised to take a decision to commit the venture to production as soon as the world airline situation shows that recovery is on the way.

This Boeing sees as likely to occur sometime in 1976-77, so that it is possible that it could start 7X7 production by the end of next year, with an in-service target date of 1980.

Despite the currently lukewarm European response, Boeing intends to pursue its discussions — French aircraft industry delegation is visiting Seattle this coming week—but the American company will be prepared to press on by itself if necessary.

In the meantime, Boeing intends to continue marketing vigorously its wide range of other airliners, including the world's best-selling 727 medium-range jet and the big 747 jumbo jet, which is now being offered to the world's airlines with the Rolls-Royce RB211 engine.

Continued from Page 1

Moves to oust Goncalves

backlash evident over the past week, as people react to the close Communist-military relationship.

Consequently, faced with a genuine popular feeling against them, the military are likely to pursue a more moderate and flexible policy of compromise—trying to get Socialists and Popular Democrats back into Cabinet harness, though not under strict party whip. However, the Armed Forces Movement's basic aim of constructing the AFM-people alliance, and "direct democracy" through workers' councils and local committees, leading to a workers' revolutionary government will, it feels, simply take a little longer to bring about. It is not going to be abandoned as a scheme.

Pressure on the Supreme Council not to sack General Goncalves—and by implication not to cede to the Social Democrats — came to-day in a communiqué issued in the name of the Armed Forces Movement, but emanating from the Fifth Division of Cultural Propaganda and Dynamisation, dominated by Communist and extreme Leftist officers.

The communiqué which came in answer to Saturday's mass Lisbon Socialist demonstration and its call for Goncalves' sacking, said "no party has the right to pronounce upon the Prime Minister's office, which is exclusively decided by the AFM." The communiqué spoke of "Socialist calumnies" against the general and said he "personifies military cohesion and national unity." It ended "the AFM gives its full support to General Vasco Goncalves."

For both the PCP and extreme Leftists, the General represents their best hope of a quick transition to workers' power.

Crown Agents plan joint move with Pernas

BY MARGARET REID

A NEW co-operative venture is now being considered between the Crown Agents and Pernas Securities, the Malaysian State-owned concern whose quite separate plan for a link with Haw Par Brothers International has struck major snags.

The Crown Agents, who handle purchasing and investment for many overseas Governments, have long undertaken procurement commissions for the Malaysian Government.

Now the possibility is being discussed of a joint venture company owned by the Agents and Pernas which would handle a more comprehensive range of procurement of services and supplies for economic development on behalf of the Malaysian authorities.

If an arrangement of this sort were made, it would be another example of the Malaysian Government's desire for co-operation over economic development with British interests which was illustrated in the scheme for a get-together with Haw Par.

Meanwhile, there are now increasing signs that the Pernas scheme for a £25m. investment in Haw Par—quite unrelated to the Crown Agents' discussions—has little prospect of proceeding following events culminating in Friday's resignation of three top Haw Par directors.

The three stepped down referred to opposition from the Singapore authorities to the planned link with Pernas.

They are: Mr. Donald Ogilvy Watson, the managing director, and Mr. Ian Tamblyn, deputy managing director, who made a lengthy statement on Friday explaining their move, as well as Mr. James Gammell, the chairman, who associated himself with the statement.

Their action follows a sequence of mounting difficulties surrounding the planned link with Pernas, and the recent establishment of an investigation into Haw Par's affairs by accountants appointed by the Singapore authorities.

There was some expectation yesterday that Tengku Razaleigh, chairman of Pernas and a highly influential figure in Malaysia, may very shortly clarify his company's attitude towards the Haw Par project. Under this, Pernas would have transferred various securities, including 20 per cent. of London Tin Corporation—the world's largest tin company—to Haw Par.

The Haw Par-Pernas get-together scheme, announced in late May, would have involved Pernas in transferring important investments in addition to its London Tin holding, to Haw Par, which was to issue new shares to Pernas in exchange, giving it a near-40 per cent. holding in its enlarged capital.

As part of the arrangement, Pernas was also to hand over to Haw Par some 10 per cent. of Sime Darby Holdings and a sizeable stake in the eastern concern Island and Peninsular, raising Haw Par's stake in the latter to a controlling level.

A major interest in Haw Par itself had been acquired in 1971 by Mr. Jim Slater's Slater Walker Securities, shortly after which Mr. Ogilvy Watson and Mr. Tamblyn came into the company.

They stayed on after an important further change in shareholding last year when the Slater Walker stake of some 27 per cent. was sold, holdings of 12.3 per cent. each going to Charter Consolidated, the mining finance house, and Ivory and Sime, the Edinburgh investment group.

It is widely thought that the Haw Par-Pernas link project underestimated the difficulties of using a Singapore company—which Haw Par is, despite strong British connections, as the vehicle for development under Malaysian official auspices.

Major problems have also arisen in relation to the take-over issues connected with the planned deal. The London Take-over Panel, noting that Pernas's transfer of more than 20 per cent. of London Tin would raise Haw Par's stake in the latter to 51 per cent. has called for Haw Par and Pernas jointly or severally to make or procure a bid for the rest of London Tin.

This requirement, which would have cost £20m. which has been beyond Haw Par's own resources, led to the appointment on the Bank of England's open encouragement, of two leading London Merchant Banks to help Haw Par sort out the problem.

Referring to a suggestion that proceedings against certain Haw Par directors had been considered in Singapore, Mr. Tamblyn said in London yesterday: "As far as I'm aware, this reflects rather malicious reports circulating in Singapore."

Continued from Page 1

Healey

Mr. Benn and Mr. Michael Foot, Employment Secretary in the Cabinet, make a major Labour Party revolt in to-morrow night's division unlikely. One of the advantages of the Tory decision to abstain is that it is likely to highlight the split inside the Labour Party. At least 20 members of the Tribune Group are expected to vote against the White Paper proposals.

Mr. Denis Healey will open the debate for the Government to-day and Mrs. Shirley Williams will wind up. The main Opposition speakers will be Mrs. Thatcher and Mrs. Sally Oppenheim. To-morrow, Sir Geoffrey Howe will be followed by the Prime Minister and Mr. James Prior will wind up for the Opposition and Mr. Foot for the Government.

The Government appears to be heading for an angry showdown with the mass of the party and trade union members at the autumn conference. Of 431 motions already submitted, the overwhelming majority are hostile.

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